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**STATE OF NEW HAMPSHIRE**

**SITE EVALUATION COMMITTEE**

**January 19, 2016** - 10:02 a.m.  
Public Utilities Commission  
21 South Fruit Street Suite 10  
Concord, New Hampshire

**IN RE: SEC DOCKET NO. 2015-07**  
**SITE EVALUATION COMMITTEE:**  
**Joint Petition of Granite Ridge**  
**Energy, LLC, and Calpine**  
**Granite Holdings, LLC, for**  
**Approval to Transfer Membership**  
**Interests.**  
*(Adjudicative hearing)*

**PRESENT:**

**SITE EVALUATION COMMITTEE:**

Patricia Weathersby, Esq. <i>(Presiding as Presiding Officer)</i>	Public member
Dir. Elizabeth Muzzey, Designee	Dept. of Cultural Resources Div. of Historical Res.
John Duclos, Designee	Dept. of Environmental Services

**ALSO PRESENT:** Michael J. Iacopino, Esq. (Brennan Lenehan)  
(Counsel to the SEC)  
  
Pamela G. Monroe, SEC Administrator

COURT REPORTER: *Steven E. Patnaude, LCR No. 52*

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**COUNSEL FOR THE APPLICANTS:**

**Reptg. Calpine Granite Holdings:** Mark Beliveau, Esq.  
(Pierce Atwood)

Sarah Novosel, Esq.  
Senior Vice President  
and Managing Counsel  
(Calpine Corporation)

**Reptg. Granite Ridge Energy:** Maureen D. Smith, Esq.  
(Orr & Reno)

Douglas L. Patch, Esq.  
(Orr & Reno)

**COUNSEL FOR THE PUBLIC:**

K. Allen Brooks, Esq.  
Sr. Asst. Atty. General  
N.H. Dept. of Justice

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                                 WILLIAM H. FERGUSON**

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**P R O C E E D I N G**

1  
2 PRESIDING OFFICER WEATHERSBY: Good  
3 morning, all. My name is Patricia Weathersby. I'm a  
4 public member of the Site Evaluation Committee. And, I've  
5 been appointed to serve as the Presiding Officer of this  
6 docket. This is Docket 2015-07, the Joint Petition of  
7 Granite Ridge Energy, LLC, and Calpine Granite Holdings,  
8 LLC, for approval to transfer membership interests.

9 At this point, I'd like to ask the other  
10 members of the Subcommittee to introduce themselves.

11 DIRECTOR MUZZEY: Good morning. My name  
12 is Elizabeth Muzzey. I'm from the Department of Cultural  
13 Resources.

14 MR. DUCLOS: Good morning. My name is  
15 John Duclos. I'm with the Department of Environmental  
16 Services.

17 PRESIDING OFFICER WEATHERSBY: And,  
18 seated next to me is?

19 MR. IACOPINO: Mike Iacopino, Counsel to  
20 the Committee.

21 PRESIDING OFFICER WEATHERSBY: By way of  
22 background, on October 28th, 2015, Granite Ridge Energy,  
23 LLC, and Calpine Granite Holdings, LLC, filed a Joint  
24 Petition with the Site Evaluation Committee seeking

1 approval to transfer membership interests in Granite Ridge  
2 to Calpine. This Joint Petition requested the appointment  
3 of a three-member subcommittee under RSA 162-H and an  
4 expedited review and approval of a proposed transfer of  
5 ownership interests in Granite Ridge to Calpine. On  
6 November 13, 2015, an order was issued appointing the  
7 Subcommittee.

8 Granite Ridge owns and operates a  
9 720-megawatt combined-cycle natural gas-fired power plant  
10 in Londonderry, New Hampshire, and currently holds the  
11 Certificate of Site and Facility that was granted in  
12 May 1999 to AES Londonderry, LLC. That was in SEC Docket  
13 Number 98-02.

14 In 2004, this Committee approved a  
15 transfer of facility ownership to lenders through  
16 voluntary foreclosure and appointment of a special purpose  
17 holding company, which was an entity of convenience to own  
18 and operate the facility through a contractor while a  
19 purchaser for the facility was sought. This was SEC  
20 Docket 2004-01. The facility company name was  
21 subsequently changed to "Granite Ridge", and a new holding  
22 company, Granite Ridge Holdings, LLC, was formed to hold  
23 the membership interests in Granite Ridge.

24 The Joint Petition requests the

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1 Committee to approve the transfer of membership interests  
2 to Calpine.

3 A Senior Assistant Attorney General, K.  
4 Allen Brooks, is Counsel for the Public in this matter,  
5 and no other entities have asked to intervene in this  
6 matter.

7 We're here today for an adjudicative  
8 hearing, in other words, a hearing on the merits of the  
9 Joint Petition. Our authority to hold this hearing is set  
10 forth in RSA 162-H:4, Section II, and RSA 162-H:5, I.

11 Let me now begin by taking appearances.

12 MR. BELIVEAU: Madam Chair, good  
13 morning, members of the Committee, Ms. Monroe, Attorney  
14 Iacopino. My name is Mark Beliveau. I'm an attorney at  
15 the law firm of Pierce Atwood, in Portsmouth, New  
16 Hampshire. And, I'm here this morning representing  
17 Calpine Granite Holdings. And, with me at the counsel  
18 table is Sarah Novosel, from Calpine Corporation, and she  
19 is the Senior Vice President and Managing Counsel for the  
20 Company.

21 MR. PATCH: Good morning. My name is  
22 Doug Patch, with the law firm of Orr & Reno. And, with me  
23 is Maureen Smith, from Orr & Reno. And, we are here this  
24 morning representing Granite Ridge Energy, LLC.

[WITNESS PANEL: Del Valle~Ferguson]

1 MR. BROOKS: Good morning. Allen  
2 Brooks, from the Attorney General's Office, serving as  
3 Counsel for the Public.

4 PRESIDING OFFICER WEATHERSBY: Thank  
5 you. Now, we'll begin with a presentation of the  
6 witnesses sponsored by the Joint Applicants. Please take  
7 the witness stand and be sworn.

8 Mr. Beliveau, you may present your  
9 witnesses.

10 MR. BELIVEAU: Thank you, madam Chair.  
11 I would like to call Mr. Del Valle and Mr. Ferguson to the  
12 witness stand.

13 (Whereupon **Mauricio Del Valle** and  
14 **William H. Ferguson** were duly sworn by  
15 the Court Reporter.)

16 MR. BELIVEAU: Madam Chair, this morning  
17 the Petitioner has three exhibits that we would like to  
18 propose to enter into evidence. And, at the Chair's  
19 pleasure, we're happy to mark them for identification or,  
20 if we may, with Public Counsel's consent, mark them as  
21 exhibits at this time?

22 MR. BROOKS: We have no objection.

23 MR. BELIVEAU: Who's going to mark them,  
24 Steve or --

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[WITNESS PANEL: Del Valle~Ferguson]

1 MS. MONROE: Steve, you want to mark  
2 them or --

3 MR. PATNAUDE: Sure. I can.

4 (The three documents, as presented, were  
5 herewith marked as **Exhibit 1, Exhibit 2,**  
6 and **Exhibit 3** for identification.)

7 MR. BELIVEAU: To maximize the  
8 amplification system here, if it's okay, I'll just sit and  
9 conduct my direct from this position?

10 PRESIDING OFFICER WEATHERSBY: That's  
11 fine.

12 MR. BELIVEAU: Okay. So, we have marked  
13 as "Exhibit 1" the Prefiled Testimony for Mr. Mauricio Del  
14 Valle. And, as Petitioners' "Exhibit 2", we have marked  
15 the Prefiled Testimony of Mr. William Ferguson. And, as  
16 Petitioners' "Exhibit Number 3", we have marked the  
17 December 18th, 2015 letter to K. Allen Brooks, from Mark  
18 Beliveau.

19 Madam Chair, I'd like to move at this  
20 time to have these exhibits entered as full exhibits into  
21 the record.

22 PRESIDING OFFICER WEATHERSBY: Is there  
23 any objection? Mr. Brooks?

24 MR. BROOKS: No objection.

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[WITNESS PANEL: Del Valle~Ferguson]

1 MR. BELIVEAU: Thank you.

2 PRESIDING OFFICER WEATHERSBY: So moved.

3 So moved.

4 *(Identification stricken from the three*  
5 *exhibits and entered as full exhibits*  
6 *into the record.)*

7 MR. BELIVEAU: Okay. Good. Thank you.

8 **MAURICIO DEL VALLE, SWORN**

9 **WILLIAM H. FERGUSON, SWORN**

10 **DIRECT EXAMINATION**

11 BY MR. BELIVEAU:

12 Q. Let me begin testimony this morning with Mr. Del Valle.  
13 Mr. Del Valle, please state your name, the name of your  
14 employer, and your job at your employer.

15 A. (Del Valle) My name is Mauricio Del Valle. I am  
16 employed by Calpine Corporation. And, my role is I am  
17 Vice President of Finance and Chief Risk Officer for  
18 the Company.

19 Q. Mr. Del Valle, I have placed in front of you Petitioner  
20 Exhibit Number 1, which is your prefiled testimony. Do  
21 you see that?

22 A. (Del Valle) I do.

23 Q. And, before I ask you to adopt Exhibit 1 as your own  
24 testimony and swear to it in these proceedings, I want

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[WITNESS PANEL: Del Valle~Ferguson]

1 to ask you whether you have any changes or any material  
2 additions to your prefiled testimony?

3 A. (Del Valle) I do. There is one. In my testimony, I  
4 commented on how Calpine was going to finance the  
5 acquisition of Granite Ridge -- of Calpine Granite and  
6 fund it. And, the one development is that, on December  
7 15, 2015, Calpine closed on \$550 million of a first  
8 lien senior secured term loan that will be used, in  
9 part, to finance the acquisition. To be specific, \$325  
10 million of that closed financing will be used towards  
11 the purchase, and the balance will be carried out with  
12 cash on hand from the Corporation, such that we have  
13 cash on hand and funds available to effectuate the  
14 transaction at this time.

15 Q. Thank you. And, Mr. Del Valle, is Calpine using the  
16 project to finance this acquisition?

17 A. (Del Valle) No. There will be no project financing.  
18 We will just use cash on hand.

19 Q. Thank you. Do you have any other changes or updates or  
20 material additions to your prefiled testimony?

21 A. (Del Valle) None other.

22 Q. Then, with regard to Exhibit 1, your prefiled  
23 testimony, and subject to the update that you just gave  
24 us, do adopt the testimony as your own and swear to it

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[WITNESS PANEL: Del Valle~Ferguson]

1 in these proceedings?

2 A. (Del Valle) Yes, I do.

3 Q. Mr. Del Valle, I have handed you Petitioners' Exhibit  
4 3. Do you recognize that document?

5 A. (Del Valle) Yes, I do.

6 Q. Could you please describe it for us.

7 A. (Del Valle) It is a letter dated December 18, 2015,  
8 addressed to Mr. Allen Brooks, from the New Hampshire  
9 Department of Justice. The topic of the letter is the  
10 "Granite Ridge Energy, LLC and Calpine Granite  
11 Holdings, LLC" subject matter. And, these are  
12 responses to questions posed by Mr. Brooks on a prior  
13 date. And, the letter was crafted by Mr. Mark  
14 Beliveau.

15 Q. And, are you familiar with that letter and the  
16 responses that are set forth in it?

17 A. (Del Valle) Yes, I am.

18 Q. And, Mr. Del Valle, have you been appointed by Calpine  
19 to testify that the responses set forth in the letter  
20 are, in fact, responses of Calpine Corporation, and are  
21 you available to answer any questions with regard to  
22 those responses?

23 A. (Del Valle) Yes. I have been appointed by Calpine  
24 Corporation. And, yes, I am prepared to respond and

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[WITNESS PANEL: Del Valle~Ferguson]

1 address any of the topics raised in the letter.

2 Q. And, will you be -- have you divided up those questions  
3 with Mr. Ferguson, in terms of --

4 A. (Del Valle) We have.

5 Q. -- who will be responding?

6 A. (Del Valle) Yes. So, between myself and my colleague,  
7 Bill Ferguson, we will be addressing any subject topics  
8 that may come up.

9 Q. Thank you. Mr. Del Valle, could you please read  
10 Question Number 1 in the letter, and then the response  
11 provided to that question.

12 A. (Del Valle) Yes. "Calpine Corporation (Calpine), the  
13 parent company of Calpine Power Corporation which owns  
14 the applicant Calpine Granite, offers numerous  
15 benefits, both managerial and financial, as well as  
16 practical benefits", an example given "spare inventory,  
17 including key transformants" -- "transformers", pardon  
18 me. "In what way will Calpine be bound to fulfill the  
19 conditions of the SEC Certificate? This is a question  
20 that the Company may answer in coordination with its  
21 attorneys who have had experience with similar  
22 corporate structures in previous SEC dockets." That  
23 was the question.

24 The response was: "Calpine Granite

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[WITNESS PANEL: Del Valle~Ferguson]

1 Holdings, LLC and its affiliates will stand behind the  
2 representations made in the Joint Petition and will  
3 ensure that Calpine" -- pardon me, "that Granite Ridge  
4 Energy, LLC abides by all the terms and conditions of  
5 the SEC Certificate."

6 Q. Thank you. So, Mr. Del Valle, please explain how  
7 Calpine Granite Holdings and its affiliates will ensure  
8 that Granite Ridge Energy, LLC, which is the  
9 Certificate holder, will abide by all of the terms and  
10 conditions of the Certificate.

11 A. (Del Valle) Certainly. Calpine Granite, first and  
12 foremost, will be capitalized at approximately \$500  
13 million, which we believe is a very substantial amount  
14 of capital. Further, a little bit about Calpine.  
15 Calpine is a publicly traded corporation that owns  
16 approximately 27,000 megawatts of generation, primarily  
17 in the United States, and some in Canada, of which over  
18 26,000 megawatts is gas-fired generation, similar to  
19 the one Granite Ridge holds. We have 82 plants under  
20 operation. And, if successful, with this proposed  
21 acquisition, our holdings in New England would be  
22 approximately 2,000 megawatts, which we believe are a  
23 rather substantial amount of capital and megawatts that  
24 Calpine wants to be putting forth in the region.

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[WITNESS PANEL: Del Valle~Ferguson]

1                   Specifically, Calpine Granite will be  
2                   relieved of its current debt obligations, and, further,  
3                   the approach and philosophy that Calpine Corporation  
4                   brings to situations like this one is we think about an  
5                   integrated approach to support all these affiliates in  
6                   a variety of different ways. For example, through our  
7                   Calpine Operating & Services Company, Inc., Calpine  
8                   Granite will benefit from the experience of the  
9                   operations and maintenance programs that my colleague,  
10                  Bill Ferguson, and others have been doing for decades  
11                  for the Corporation.

12                  We also have a number of other  
13                  affiliates, like, for example, Calpine Energy Services,  
14                  that has experience in marketing and procuring the gas,  
15                  and then the power into the markets. All this  
16                  experience will be made available to Calpine Granite  
17                  for a successful performance in the marketplace.

18    Q.    Mr. Del Valle, I just want to clarify something that  
19           you just testified to. I believe that you stated that,  
20           as part of this transaction, that "Calpine Granite will  
21           be relieved of any existing debt". Did you mean to  
22           testify that, because these names are similar and it  
23           can be confusing, to say that "Granite Ridge Energy" --  
24           that "any debt that Granite Ridge Energy currently has

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[WITNESS PANEL: Del Valle~Ferguson]

1 will be retired through this acquisition"?

2 A. (Del Valle) That is correct.

3 Q. Thank you. Mr. Del Valle, are you prepared to  
4 elaborate further during this proceeding on the matters  
5 to which you've just testified?

6 A. (Del Valle) Yes, I am.

7 Q. Thank you. Now, let me turn to Mr. Ferguson.  
8 Mr. Ferguson, please state your name, your employer,  
9 and your position at your employer.

10 A. (Ferguson) My name is William Ferguson. I am employed  
11 by Calpine. I am the Regional Vice President for  
12 Operations in the East Region.

13 Q. Mr. Ferguson, you have in front of you Petitioners'  
14 Exhibit Number 2, which consists of your prefiled  
15 testimony. Do you see that?

16 A. (Ferguson) Yes, I do.

17 Q. And, before I ask you to adopt Exhibit 2 as your own  
18 testimony and to swear to it in these proceedings, I  
19 want to ask whether you have any changes or updates or  
20 material additions to your prefiled testimony?

21 A. (Ferguson) Yes. Excuse me. There's two updates that  
22 I'd like to make. One, in the written testimony, we  
23 call out Andre Walker as one of the members that will  
24 be part of the Transition Team. Andre resigned from

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[WITNESS PANEL: Del Valle~Ferguson]

1 the Company about a month ago. His duties in the  
2 transition will be assumed by Tom Long, who's also  
3 mentioned in my testimony.

4 The second issue is that, in my  
5 testimony, we discuss that Calpine had the option of  
6 continuing a working agreement with NAES, that's North  
7 American Energy Services, for the operations and  
8 maintenance of the facility, or we have the option to  
9 terminate that agreement and assume the role of being  
10 the operator of the facility.

11 Since my testimony was submitted, we  
12 have made the decision to terminate the agreement with  
13 NAES effective the date of the actual sale. And,  
14 Calpine will assume direct operation and maintenance of  
15 the facility. All of the current employees with NAES,  
16 including the Plant Manager, will become Calpine  
17 employees, with one exception. So, we look forward to  
18 assuming -- making these people Calpine employees and  
19 moving forward.

20 Q. Thank you, Mr. Ferguson. Do you have any other changes  
21 or updates to your prefiled testimony?

22 A. (Ferguson) Not at this time.

23 Q. Thank you. Then, with regard to Exhibit 2, your  
24 prefiled testimony, and subject to the updates that

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[WITNESS PANEL: Del Valle~Ferguson]

1           you've just given us, do you adopt the testimony as  
2           your own and swear to it in these proceedings this  
3           morning?

4   A.     (Ferguson) I do.

5   Q.     Mr. Ferguson, I've handed you Petitioners' Exhibit  
6           Number 3. And, do you recognize that document?

7   A.     (Ferguson) Yes, I do.

8   Q.     And, could you also please describe that for us.

9   A.     (Ferguson) It's a letter to Allen Brooks, from  
10           yourself, dated December 18th, 2015, replying to  
11           several questions raised by Mr. Brooks, and giving the  
12           Calpine response to it.

13   Q.     And, prior to this hearing this morning, have you had  
14           an opportunity to familiarize yourself with that letter  
15           and the responses provided by Calpine?

16   A.     (Ferguson) I have.

17   Q.     And, have you been appointed by Calpine to testify that  
18           the responses set forth in the letter are, in fact, the  
19           responses of Calpine Corporation and to answer any  
20           questions related thereto?

21   A.     (Ferguson) Yes.

22                     MR. BELIVEAU: Madam Chair, I am  
23           prepared to tender these witnesses for questions from the  
24           Committee.

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[WITNESS PANEL: Del Valle~Ferguson]

1                   PRESIDING OFFICER WEATHERSBY: Thank  
2 you. Actually, before the Committee asks questions, Mr.  
3 Brooks, do you have any -- turn the mike on. Mr. Brooks,  
4 do you have any cross-examination of these witnesses?

5                   MR. BROOKS: Very briefly. And, if I  
6 may have a moment to just ask opposing counsel a question  
7 before I ask the witness?

8                   PRESIDING OFFICER WEATHERSBY: Of  
9 course.

10                   *(Atty. Brooks and Atty. Belvieu*  
11                   *conferring.)*

12                   MR. BELIVEAU: Madam Chair, Public  
13 Counsel has pointed out some language in the Petition, the  
14 Joint Petition that was submitted to the Committee, and he  
15 believes it's a typographical error, and I concur.

16                   And, so, what I would like to do is, and  
17 it's -- the Petition is referencing the testimony of  
18 Mr. Ferguson. And, in the Petition, it incorrectly  
19 references which company. So, if I may just do some  
20 follow-up direct examination of Mr. Ferguson and correct  
21 the record on that?

22                   PRESIDING OFFICER WEATHERSBY: Yes, you  
23 may. Please proceed.

24                   MR. BELIVEAU: Thank you.

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[WITNESS PANEL: Del Valle~Ferguson]

1 MR. IACOPINO: Mr. Beliveau, what page  
2 of the Petition should we be looking at?

3 MR. BELIVEAU: Yes. This is Page 13 of  
4 the Petition, under the heading "Managerial Capability of  
5 New Owner". And, if you go down five lines in that  
6 section, the first full sentence begins "As described in  
7 the Ferguson Testimony, Calpine Granite has successfully  
8 managed over 80 large power plants". And, Public Counsel  
9 has correctly brought to my attention that that should  
10 read that "Calpine Corporation has successfully managed  
11 over 80 large electrical power plants".

12 *(Atty. Beliveau handing document to*  
13 *Witness Ferguson.)*

14 BY MR. BELIVEAU:

15 Q. Mr. Ferguson, I have handed you Page 13 from the Joint  
16 Petition that has been submitted in this proceeding.  
17 And, under the section captioned, it's "VII", and the  
18 caption is "Managerial Capability of New Owner", six  
19 lines down it states, and I quote, "As described in the  
20 Ferguson Testimony, Calpine Granite has successfully  
21 managed over 80 large electrical power plants for  
22 periods ranging from a few months to a number of  
23 years."

24 My question for you, Mr. Ferguson, is

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[WITNESS PANEL: Del Valle~Ferguson]

1 should that properly state "Calpine Corporation" or is  
2 it correct as written, "Calpine Granite"?

3 A. (Ferguson) It should be "Calpine Corporation".

4 MR. BELIVEAU: Thank you.

5 PRESIDING OFFICER WEATHERSBY: Is there  
6 anything else, Attorney Brooks?

7 MR. BROOKS: Yes. Just very briefly.

8 And, I appreciate both witnesses taking the time to answer  
9 my questions. I think we had a very good exchange before  
10 the hearing today to try to eliminate as many issues as we  
11 can.

12 **CROSS-EXAMINATION**

13 BY MR. BROOKS:

14 Q. So, I'll start briefly with Mr. Del Valle. In your  
15 written response to my letter, you mentioned that  
16 "Calpine Corp.", which I'll refer to as the "parent  
17 company", will stand behind Calpine Granite and will  
18 ensure that Calpine fulfills the requirements of the  
19 Certificate. Today, you mentioned that "Calpine  
20 Granite will be capitalized at \$500 million." Was that  
21 in your prefiled testimony or in the response to my  
22 letter?

23 A. (Del Valle) That was not explicitly mentioned, no.

24 Q. Okay. You also mentioned that "Calpine Granite will be

[WITNESS PANEL: Del Valle~Ferguson]

1 relieved of debt obligations". Was that in the  
2 prefiled testimony or in the response to my --

3 A. (Del Valle) That was not in there either.

4 Q. Okay. So, taking those two pieces of information  
5 together, capitalized at \$500 million and having  
6 Calpine Granite be relieved of debt obligations, what  
7 does that mean for the financial capability, not of the  
8 parent corporation, but of the actual Applicant in this  
9 case?

10 A. (Del Valle) We believe that that would put the  
11 Applicant in a position to have the strength and  
12 financial capability to manage any set of conditions.  
13 We believe that this would put the Applicant in a  
14 position to not have any debt burdens to be concerned  
15 with, and to have the wherewithal to substantiate any  
16 and all interactions it may need to procure its power,  
17 manage its business, and conduct business very  
18 successfully or continue to conduct business  
19 successfully in the region.

20 Q. So, do you believe, given this new financial structure  
21 that you've laid out, that Calpine Granite, the  
22 Applicant, would be able to stand on its own and  
23 demonstrate financial capacity to obtain the  
24 Certificate?

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1 A. (Del Valle) Yes, I do.

2 Q. Okay. I believe you mentioned that, again, what I'm  
3 calling the "Calpine parent corporation", has, with  
4 respect to management, an integrated approach, and that  
5 their somewhat vast experience will be "made available"  
6 to Calpine Granite. Is it a requirement that Calpine  
7 Granite take advantage of the integrated approach or  
8 any experience that is made available? Is there some  
9 obligation on the part of Calpine Granite to take  
10 advice or instruction from the Calpine parent  
11 corporation?

12 A. (Del Valle) I think there is a -- what we certainly see  
13 as a significant benefit for Calpine Granite to take  
14 advantage of all this expertise and experience and  
15 enter into agreements to support some of those  
16 services. While, you know, the word "obligation", I'm  
17 not sure that there's any obligation, *per se*. But we,  
18 as we do in all of our other acquisitions and  
19 structures, which this would be very typical, we have  
20 our affiliates enter into agreements to support all  
21 these functions, where we believe that having a network  
22 around the country, with so many expertise and  
23 megawatts in very different environments, always serves  
24 in the best interest of all the entities that we

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1 indirectly own.

2 Q. And, are you familiar with the conditions attached to  
3 the Certificate, including general conditions,  
4 transmission conditions, natural gas conditions,  
5 *etcetera*? You don't have -- I'm not going to ask you  
6 verbatim what they say, but if you've read them  
7 previously at some point?

8 A. (Del Valle) I did read them previously.

9 Q. Okay. Given the nature of those conditions, and the  
10 relationship of the Calpine parent corp. to the  
11 Applicant, Calpine Granite, the thrust of my written  
12 question that I sent you, and the thrust of my question  
13 today, is why wouldn't we want to at least have the  
14 parent corporation, who has shown, I think, pretty  
15 extensive capacity, managerial and otherwise, to agree  
16 to essentially guarantee the performance of these  
17 conditions, which are generally not increasing, in my  
18 opinion, the liabilities of the Calpine parent?

19 In other words, we're not looking for  
20 the parent corporation to take on, you know, the  
21 liabilities of the Company, but simply to make sure  
22 that these conditions are actually upheld. What's the  
23 downside to having the Calpine parent corporation agree  
24 to guarantee that performance?

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1 A. (Del Valle) Let me make two observations. The first  
2 one would be that we, Calpine Corp., and, to my  
3 knowledge, this is a very unusual request in other  
4 situations we have been in. We have not provided, and  
5 nor been asked, to provide guarantees in support of the  
6 permits. Further, I would say that, as currently  
7 envisioned, and as has been our prior practice in other  
8 situations, we are -- we set up all the entities in a  
9 way such that we believe will be conducive for them to  
10 be successful on their own. And, we believe that this  
11 is definitely the case with Calpine Granite. So, we do  
12 not believe that there's any necessity for anything  
13 other than what we are proposing. And, further, as I  
14 mentioned, we believe that some of the affiliates that  
15 will be involved in the day-to-day dealings with  
16 Calpine Granite will be the ones providing that  
17 important support through their know-how and otherwise,  
18 to make sure that Calpine Granite can meet all the  
19 requirements of the permits. And, that's how we  
20 believe is the best road forward for Calpine Granite.

21 MR. BROOKS: Okay. Thank you. I have  
22 no more questions for Mr. Del Valle. Can I proceed to  
23 Mr. Ferguson?

24 PRESIDING OFFICER WEATHERSBY: Yes, you

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1 may.

2 MR. BROOKS: Thank you.

3 BY MR. BROOKS:

4 Q. And, Mr. Ferguson, my last question to you will be the  
5 same question that I asked Mr. Del Valle. So, you can  
6 be prepared to just say, "you know, what he said".  
7 And, I'll accept that and we can read back the  
8 transcript.

9 My one question is, when you were  
10 discussing how the -- essentially, the management was  
11 going to work, I think you said "they will be Calpine  
12 employees". I just -- there's a few Calpines running  
13 around. So, which of the Calpines are they going to be  
14 employees of?

15 A. (Ferguson) The plant employees are part of COSCI, which  
16 is "Calpine Operating Services, Incorporated". I  
17 believe that's the correct title. That's the way we  
18 have all of the plant employees organized, if you  
19 would.

20 Q. Okay. So, they're not going to be employees of the  
21 Calpine Corporation, the parent corporation?

22 A. (Ferguson) No. That's correct.

23 Q. Okay. So, again, the same question, which is that, I  
24 think that both of you again have done a great job in

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1           answering all of my concerns and technical questions,  
2           even those that were somewhat maybe tangential to  
3           actually getting your Certificate, and I appreciate  
4           that. I just wanted to know what would be the downside  
5           of having the Calpine parent corporation be bound to  
6           guarantee the subsidiary's obligations under the  
7           Certificate?

8   A.   (Ferguson) That's not my area of expertise. And, I  
9        really can't opine on that one.

10                   MR. BROOKS: Okay. All right. Thank  
11    you. I have no further questions.

12                   PRESIDING OFFICER WEATHERSBY: Okay.  
13    Thank you. Does any member of the Subcommittee have  
14    questions for either of the witnesses?

15                   MR. DUCLOS: My name is John Duclos.  
16    I'm with the Department of Environmental Services. I had  
17    a couple of questions for you.

18   BY MR. DUCLOS:

19   Q.   One, in the original Certificate, the energy source was  
20        referred to as "two Westinghouse 501Gs", and later  
21        "Siemens 501Gs". Can you explain the difference, if  
22        any?

23   A.   (Ferguson) Siemens acquired Westinghouse in the 1990s  
24        timeframe. So, I think those terms are somewhat --

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1 sometimes get mixed up. But these are Siemens  
2 machines.

3 Q. Mr. Ferguson, in your testimony, your letter testimony,  
4 all of the current employees at the facility is  
5 required to go through Calpine's typical employee  
6 screening process. Has that been accomplished to date?

7 A. (Ferguson) That has been completed now.

8 Q. And, only one employee you testified was not making the  
9 transition?

10 A. (Ferguson) That's correct.

11 Q. Is he identified by title or plant responsibility? You  
12 know, what that person was and how they will be  
13 replaced?

14 A. (Ferguson) That's a personnel matter that I don't  
15 really want to get into in detail now. But we will be  
16 replacing him by stepping up another employee, and then  
17 sharing the duties of the person that stepped up  
18 amongst the rest of the folks.

19 Q. Currently, there's 26 staff at the facility, and you  
20 plan to keep 26 staff at the facility with the same  
21 types of job responsibilities?

22 A. (Ferguson) With the exception of the one person I  
23 already mentioned.

24 Q. I have one question for Mr. Del Valle -- Del Valle, is

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1 it? Close?

2 A. (Del Valle) Close enough.

3 Q. Sorry. You said this was going to be a \$550 million  
4 term loan, and 325 million in cash reserves. What was  
5 the total purchase price of this acquisition?

6 A. (Del Valle) It was also approximately 500 million.

7 MR. DUCLOS: Okay. Thank you. I have  
8 no further questions.

9 PRESIDING OFFICER WEATHERSBY: Director  
10 Muzzey.

11 DIRECTOR MUZZEY: Thank you.

12 BY DIRECTOR MUZZEY:

13 Q. Both of you I believe spoke to the transfer, that the  
14 decision was made to terminate the work agreement with  
15 NAES, and have Calpine assume responsibilities at the  
16 plant. Can you discuss the factors that go into that  
17 type of decision? How you made that decision?

18 A. (Ferguson) At all of our facilities, we operate it  
19 directly. To have NAES retain the operations  
20 responsibility would be inconsistent with that normal  
21 business model. We did evaluate it. We looked at it.  
22 But it just did not make sense for us. We like to be  
23 hands-on, if you would, managers, instead of remote.

24 Q. And, so, as you take this hands-on approach, is it

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1 typically Calpine Operating Services that supplies the  
2 employees?

3 A. (Ferguson) That's correct.

4 Q. And, Calpine Operating Services is one of your  
5 affiliates that you've been referring to?

6 A. (Ferguson) That's correct.

7 Q. So, and those are the types of affiliates that provide  
8 important support for these types of plants?

9 A. (Ferguson) That's one of them, yes.

10 Q. One of several affiliates?

11 A. (Ferguson) Yes.

12 Q. Just to get back to the idea that Attorney Brooks was  
13 talking about, Calpine Corporation guaranteeing the  
14 conditions in the Certificate, if that is an unusual  
15 request to Calpine Corporation, would it be a more  
16 typical or -- a more typical approach to have the  
17 affiliates guarantee the conditions of the Certificate?

18 A. (Del Valle) I'm not sure there's -- the more typical  
19 construct, I believe, is just for the entity that gets  
20 formed to be, again, self-sufficient and independent,  
21 that would be the typical structure. And, also  
22 typical, in the way we conduct business, would be for  
23 our affiliates to be supporting, while albeit not  
24 necessarily guaranteeing, *per se*.

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1 DIRECTOR MUZZEY: Okay. Thank you.

2 PRESIDING OFFICER WEATHERSBY: I have a  
3 couple of questions.

4 BY PRESIDING OFFICER WEATHERSBY:

5 Q. Just getting back to the capitalization, you indicated  
6 you got \$500 million in capitalization amount would be  
7 adequate. How does that compare with the  
8 capitalization of other acquisitions that Calpine has  
9 done?

10 A. (Del Valle) Sure. So, in our recent acquisitions, the  
11 perhaps more applicable, for two reasons, one, it was  
12 in New England, and, two, it was one of our more recent  
13 ones, the Fore River Energy Center, here in New  
14 England, in Massachusetts. That was a \$530 million  
15 acquisition, so, very similar in scope and in size.  
16 And, we have done others that would fall in and around  
17 that range. So, I would say it compares very much in  
18 line with a --

19 *[Court reporter interruption.]*

20 **CONTINUED BY THE WITNESS:**

21 A. (Del Valle) -- a CCGT in the region.

22 BY PRESIDING OFFICER WEATHERSBY:

23 Q. Could tell us what a "CCGT" is?

24 A. (Del Valle) A combined-cycle gas turbine.

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1 Q. Another financial question. Attorney Brooks had  
2 pointed out that the credit status of Calpine is below  
3 investment grade. And, I'm wondering what the  
4 implications of that are on Calpine's operations and  
5 its access to additional capital?

6 A. (Del Valle) We believe the access to capital for  
7 Calpine Corporation is very plentiful and robust, as  
8 evidenced by this most recent financing that was, in  
9 part, to support the acquisition through Calpine  
10 Granite. We have, given the size of our corporation,  
11 ready access to the financial markets across a variety  
12 of different structures, not to just the secured debt  
13 market, but the unsecured, *etcetera*, among others.  
14 And, we believe that, given the way we have managed the  
15 Company and its financials, we have secured that access  
16 to capital to conduct our business.

17 I would further mention that we have a  
18 \$1.5 billion secured line of credit with a number of  
19 our bank lenders. And, that facility we can use at any  
20 time at our discretion to fund or use cash as we  
21 require. We maintain the business at any given point  
22 in time with at least a minimum of a billion dollars of  
23 liquidity at our disposal.

24 And, further, the financial strength of

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1 the Company is such that, as an example, and I will use  
2 approximate numbers, in calendar year 2015, and we  
3 expect a close to similar range in 2016, the Company  
4 generates approximately \$800 million of free cash flow  
5 for the year. And, what that means is, after paying  
6 for costs and after servicing the interest expense, we  
7 have about \$800 million of cash generation at our  
8 disposal.

9 So, we believe that these facts provide  
10 Calpine with a very strong financial position, which  
11 gets evidenced with our access to capital through the  
12 bank markets and other financial markets when we so  
13 need or choose to.

14 Q. The plant, the Londonderry plant, has that facility had  
15 any issues complying with its Certificates of  
16 condition? And, if so, how will Calpine address those?

17 A. (Ferguson) Excuse me. I'm not aware of any past or  
18 current compliance issues that they have had that have  
19 not been resolved.

20 Q. Have any of Calpine's plants had major infractions or,  
21 on the other side, won any accolades for its  
22 performance?

23 A. (Ferguson) I'm not aware of any major NOV's or  
24 non-compliance. And, are we talking environmental or

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1 broad spectrum?

2 Q. Broad spectrum.

3 A. (Ferguson) On the environmental side, I feel like I can  
4 answer that. I'm not aware of any major violations  
5 that Calpine has had over the years, or during the time  
6 I've been with them. I've been with them since 2001.

7 We've won a number of, you know, local  
8 and state awards for performance at community outreach,  
9 *etcetera*. I can't name you any specifics to date. But  
10 we have a proven track record for environmental  
11 compliance, safety compliance, and community outreach.

12 Q. Thank you. Mr. Ferguson, in your prefiled testimony,  
13 you indicated there were a number of steps to be taken  
14 prior to closing on the acquisition of this plant. The  
15 information technology systems being upgraded, review  
16 of the contractual and regulatory requirements,  
17 integration with HR. Have those steps been taken?

18 A. (Ferguson) The IT and IS effort has been kicked off  
19 several months ago and is well underway, in fact, some  
20 of the bigger items have already been completed. HR  
21 has been involved since day one. We've made offers to  
22 all the employees, they have all been accepted, with  
23 the one exception I already mentioned. So, that effort  
24 is well underway. We can't go but so far until we

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1 actually close. So, the next big effort on the HR will  
2 be at the day of closing, where we will have a team on  
3 site to, if you would, on-board all of the employees,  
4 so they don't have any loss of benefits during that  
5 transition period.

6 We've reviewed contracts. Some of the  
7 contracts -- most of the contracts will be carried  
8 over, some of the contracts will have to be redone with  
9 a supplier that is at preference, but that effort's  
10 well underway also.

11 Q. Thank you. And, I think my last question is, I've  
12 become aware that Calpine has recently closed a  
13 facility, a power plant in California. And, I'm  
14 wondering if there's any intention or if it's  
15 foreseeable that that will happen to this Londonderry  
16 facility?

17 A. (Ferguson) I'm struggling to which -- the only ones  
18 that I'm familiar that have been closed were --

19 A. (Del Valle) It was -- I believe you're referring to an  
20 announcement with respect to a facility named "Sutter".  
21 And, to answer the question, the answer would be "no".  
22 We do not expect or believe that there will be -- that  
23 for this facility we would be in that position. In  
24 fact, part of my role entails the financial evaluation

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1 for the corporation. And, we firmly and strongly  
2 believe that the value of this facility is at least  
3 \$500 million. And, so, we do not anticipate any such  
4 or remotely close situation as it was in that older  
5 facility in California.

6 PRESIDING OFFICER WEATHERSBY: Thank  
7 you. Director Muzzey.

8 BY DIRECTOR MUZZEY:

9 Q. The Londonderry plant has been in what, you know, I  
10 think of as a "holding status" for about ten years now.  
11 Could you just describe the timing of your decision to  
12 purchase this plant and why? Why now? Why is now a  
13 good idea? And, how does that fit in with your larger  
14 business goals?

15 A. (Del Valle) Sure. So, strategically, as a company, we  
16 focus -- we have regional diversity, and that is  
17 something that is very important to us. And, over the  
18 past few years to be specific, we have been highly  
19 interested in the New England market. And, although  
20 we've owned a facility for quite some time at  
21 Westbrook, there was a desire a few years ago to expand  
22 and augment our presence in New England, as evidenced  
23 by the Fore River acquisition in Massachusetts, and now  
24 this one we are currently discussing.

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1                   The belief is that the New England  
2 market offers opportunities, and we like the evolution  
3 of the market construct. And, we would very much like  
4 to close this acquisition and expand our presence in  
5 this region.

6                   I would also say that we're one of the  
7 largest operators of generation in the country,  
8 certainly, gas operators in the country. And, the  
9 Northeast, in particular, is where we had a relatively  
10 lesser presence as we do in other regions. And, we're  
11 looking to balance our position in all the markets, and  
12 New England has been a key area of growth for us.

13 Q. Thank you. And, if this Committee were to approve this  
14 request, what is the approximate timeframe for the  
15 transaction to occur?

16 A. (Del Valle) I believe that, and I may need to get  
17 corrected here, but I believe that we -- the major  
18 items that are pending are approval from the Committee,  
19 and also FERC. Although, my understanding is the FERC  
20 approval is in very advanced stages, and we're hoping  
21 to be obtaining that in the coming days or very  
22 shortly.

23                   DIRECTOR MUZZEY: Thank you.

24                   MR. DUCLOS: Excuse me. John Duclos

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[WITNESS PANEL: Del Valle~Ferguson]

1       again. Just we were talking about environmental matters,  
2       so, I feel obligated to ask a question.

3 BY MR. DUCLOS:

4 Q.     In your Form 10K and 10Q, excuse me, there was one  
5       facility, the Bay Area Air Quality Management District,  
6       ongoing problems at that facility. Could you explain  
7       in any detail what that is? Is it a state or federal  
8       issue or is it a local issue?

9 A.     (Ferguson) I'm not familiar with the details of that  
10       particular site.

11 Q.     And, --

12 A.     (Ferguson) That -- I'm assuming that site is the one  
13       that started up since I left California. So, I don't  
14       have the details on that.

15 Q.     Okay. And, the "Russell City Energy Company, LLC"  
16       that's identified in your 10K, would that be the  
17       Russell City Energy Center, in Hayward, California?

18 A.     (Ferguson) That's correct.

19 Q.     Okay. I did pull down a federal database called  
20       "ECHO", it's the "Enforcement and Compliance History  
21       Online", which shows no violations on a state or  
22       federal level for that particular facility. So, we  
23       have -- actually, I pulled quite a few of your  
24       facilities, the one in Maine, the one in Mass., a few

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1 in California, because we know California is pretty  
2 tough on environmental issues. And, I was very  
3 impressed on how clean a record I could find on Calpine  
4 and Calpine's companies. Congratulations on that  
5 front.

6 A. (Ferguson) Thank you.

7 Q. Keep up the good work in New Hampshire.

8 A. (Ferguson) We expect to.

9 PRESIDING OFFICER WEATHERSBY: Attorney  
10 Iacopino.

11 MR. IACOPINO: Thank you.

12 BY MR. IACOPINO:

13 Q. First, I have some operational questions for  
14 Mr. Ferguson. You were just congratulated on the  
15 Company's environmental record. Have, prior to or  
16 during your due diligence process and determining  
17 whether or not to purchase this facility, have you had  
18 any conversations with folks at the Department of  
19 Environmental Services here in New Hampshire?

20 A. (Ferguson) Direct, I, myself, have not had any  
21 conversations.

22 Q. How about other employees?

23 A. (Ferguson) I'm sure the environmental team did have  
24 those conversations. But I'm not aware what the

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1 results were.

2 Q. And, no -- actually, no, I don't think anybody sitting  
3 up here goes back to the days when this plant was first  
4 permitted, but there was a very large community  
5 involvement in that permitting process. As you know,  
6 where this facility sits is in between the airport and  
7 the residential area. What efforts has the Company  
8 made, prior to engaging in this purchase, to discuss  
9 the operations of the facility with local government?

10 A. (Ferguson) I'm not aware of any direct contact that  
11 we've had with any of the local officials. We've  
12 looked at the -- we've looked at the history. It  
13 seemed like it's been -- has not been an issue, you  
14 know, since operation. So, we have not, at this point,  
15 made any contacts with them.

16 Q. Have you had any contact with the Town of Londonderry  
17 over the water system?

18 A. (Ferguson) I'm not aware of any.

19 Q. You indicated that there was one employee who is not  
20 going to be making the transition from NAES to Calpine  
21 Operating Services. And, I don't need you to identify  
22 who that person is, or even what his title or her title  
23 may be. But can you just tell us the area of  
24 responsibility? Is it finance? Is it accounting? Is

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1           it marketing? Is it operations? Is it maintenance?  
2           What's the level of -- and the level of responsibility  
3           in that area?

4   A.     (Ferguson) He's in involved in the operation and  
5           maintenance of the facility.

6   Q.     Okay. And, you're comfortable that you have sufficient  
7           coverage to make up for that person's lost expertise  
8           with this particular project?

9   A.     (Ferguson) Yes, I am.

10  Q.     Okay. I do have some questions about financing. You,  
11           Mr. Del Valle, you indicated at the beginning of your  
12           testimony that one of the things that you wanted to  
13           change was that there's now a \$550 million financing  
14           package, essentially. Where does that money come from?  
15           What entity?

16  A.     (Del Valle) So, the financing was done at the Calpine  
17           Corporation level. And, we -- that financing happened  
18           to be \$550 million, of which only a portion will be  
19           used towards the effectuating this acquisition.

20  Q.     Okay. And, when you say "that financing", that's money  
21           that Calpine Corporation is dedicating to this  
22           purchase?

23  A.     (Del Valle) That's correct. So, Calpine Corporation  
24           incurred this debt, and then it will be using those

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1 proceeds or a portion of those proceeds to purchase  
2 this facility.

3 Q. Okay. And, the debt holder, the person to whom Calpine  
4 owes the money, will they have any type of lien in this  
5 facility?

6 A. (Del Valle) As currently structured, no, they will not.

7 Q. Okay. You are aware that, when AES owned this  
8 facility, they essentially went into a voluntarily  
9 disclosure -- foreclosure, I'm sorry?

10 A. (Del Valle) I am aware, yes.

11 Q. I take it, under this financing situation that you've  
12 referenced, there's no possibility of that occurring?

13 A. (Del Valle) Under this structure, there is not. So, as  
14 currently envisioned, upon closing, there will be no  
15 indebtedness at the facility. And, also, the facility,  
16 as an asset, will not be pledged towards the financing  
17 that was, in part, used to secure the funds for the  
18 transaction. As we're a large corporation, and over  
19 time we optimize the financings, and what assets come  
20 in and out of different structures we use to finance  
21 and optimize our business. But, as currently  
22 envisioned, on closing, no, the facility will be  
23 unencumbered.

24 Q. Okay. You indicate that, of that \$550 million

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1 financing that Calpine Corporation has undertaken,  
2 325 million went for this particular purchase?

3 A. (Del Valle) Correct.

4 Q. You also mentioned the balance being carried is cash on  
5 hand, is that right?

6 A. (Del Valle) That is correct, yes.

7 Q. By which entity is that going to be booked to?

8 A. (Del Valle) So, Calpine Corporation will use cash on  
9 its balance sheet or on hand to effectuate, to  
10 effectively help fund the purchase price for this  
11 asset. So, Calpine Corporation had I believe in my  
12 testimony I reference in excess of \$400 million of cash  
13 as an update as of September 30th, the date of our  
14 latest filing. That amount was actually in excess of  
15 \$600 million. So, the Calpine Corporation will have  
16 enough cash on hand in conjunction with this financing  
17 to effectuate the transaction and pay the full purchase  
18 price.

19 Q. Okay. But my question is, that's at the Calpine  
20 Corporation level?

21 A. (Del Valle) Uh-huh.

22 Q. Is that right?

23 A. (Del Valle) That is correct.

24 Q. Okay.

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1 PRESIDING OFFICER WEATHERSBY: Can I  
2 just follow-up on your question, Mike?

3 MR. IACOPINO: Sure.

4 PRESIDING OFFICER WEATHERSBY: Don't  
5 want to interrupt your flow here.

6 BY PRESIDING OFFICER WEATHERSBY:

7 Q. So, the funds are going to -- the purchase of the  
8 membership interests, are there funds that are being  
9 dedicated to Calpine Granite for upgrade of the  
10 facility or any funds going to actually benefit the  
11 Londonderry facility?

12 A. (Del Valle) The funds will be originally flowing to the  
13 Sellers. And, subsequent to that, as we do in other  
14 instances, some of the Calpine affiliates will enter  
15 into agreements. So, we'll continue to support the  
16 operations of this facility in particular. It is our  
17 expectation that, in the foreseeable future, the  
18 facility will generate enough cash on its own to pay  
19 for its own expenses and capital requirements.  
20 However, as part of the Calpine support, again, all of  
21 these, the needs for capital investment and others as  
22 necessary, can be -- can be drawn upon from the  
23 corporation, in case there's a need, for example, for  
24 parts that we may have in inventory. So, there's ways

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1 to optimize the specific needs of the facility by the  
2 rest of the corporation.

3 But, at closing, the corporation will --  
4 Calpine Granite will be provided with enough cash and  
5 working capital facilities or lines of credit to  
6 operate as needed, and make sure that there's always  
7 ample funds to conduct its business, maintenance, and  
8 any capital it may require.

9 PRESIDING OFFICER WEATHERSBY: Director  
10 Muzzey.

11 DIRECTOR MUZZEY: One more follow-up  
12 question.

13 BY DIRECTOR MUZZEY:

14 Q. Attorney Brooks had asked "what were the downsides of  
15 Calpine Corp., as the parent corporation, guaranteeing  
16 the performance of the facility in regard to the  
17 conditions of the Certificate?" And, you had testified  
18 that it was "an unusual request" that hadn't been made  
19 with other transactions. I'm just wondering, we've  
20 continued to hear quite a bit about the role of Calpine  
21 Corp. in this. Outside of it being "an unusual  
22 request", are there any more downsides or difficulties  
23 that you have thought about?

24 A. (Del Valle) Well, again, since we have not done this

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1 before, I would have to take more time to seriously --  
2 or, to consider what those may be. It's just something  
3 we've not done, and I would have to think about to  
4 provide an appropriate response.

5 DIRECTOR MUZZEY: Thank you.

6 BY MR. IACOPINO:

7 Q. Mr. Ferguson, what, to your knowledge, what's -- how  
8 would you best describe the operating history of this  
9 particular facility? I'm sure you've looked into it,  
10 haven't you?

11 A. (Ferguson) I'd describe it as "very typical". When  
12 this facility was built, it was one of the early G  
13 machines, that means it's one of the more advanced,  
14 technically advanced gas turbines. It had some initial  
15 issues with that specific design. That's consistent  
16 with the fleet of the G machines. And, the G machines  
17 have made a substantial improvement over the last three  
18 or four years, and you've seen the performance of that  
19 plant improve as a result of that. So, it's -- bottom  
20 line, it's very typical.

21 Q. Let me ask you probably a difficult question. How many  
22 G machines does Calpine have in its fleet?

23 A. (Ferguson) We have two in Texas. Pretty much a sister  
24 plant to what you have here. And, I'd add that the

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1 Fore River facility --

2 [Court reporter interruption.]

3 **CONTINUED BY THE WITNESS:**

4 A. (Ferguson) -- the Fore River plant, in Massachusetts,  
5 one we acquired this last year -- and, I'm sorry, in  
6 '14, is also a G machine, but it's made by Mitsubishi,  
7 rather than Siemens. So, it's kind of like it's a Ford  
8 or Chevrolet, but it's most advanced. So, we have  
9 firsthand experience with them, and we've seen the  
10 performance of the plants improve over the years.

11 MR. IACOPINO: And, one other question,  
12 if I may, madam Chair?

13 PRESIDING OFFICER WEATHERSBY: Of  
14 course.

15 BY MR. IACOPINO:

16 Q. Mr. Del Valle, before we mentioned the AES debacle  
17 about how the plant actually went into foreclosure, to  
18 the best of your knowledge or your systematic knowledge  
19 of Calpine, have they ever had a similar situation  
20 where they have let one of their plants go back to  
21 financing banks or other entities?

22 A. (Del Valle) To the best of my knowledge, I do not  
23 believe any specific plants. Certainly, Calpine  
24 Corporation underwent a bankruptcy proceeding in the

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1 years 2006, I believe, and emerging in early 2008.  
2 Since then, and under the new management and setup that  
3 some of us are a part of, no, I do not believe that  
4 there has been any situation in which any specific  
5 plant has not -- has been in a situation similar to  
6 what AES -- you described AES doing several years ago.

7 Q. And, you've been with Calpine since 2013?

8 A. (Del Valle) Yes, I have. But I was familiar with  
9 Calpine from --

10 Q. When you were with Morgan Stanley?

11 A. (Del Valle) With Morgan Stanley, and helped finance  
12 many of the current long-term arrangements that the  
13 Company has.

14 Q. Were you involved in the bankruptcy in 2006 through  
15 Morgan Stanley?

16 A. (Del Valle) I was not. I began my interaction with  
17 Calpine post -- very early post bankruptcy.

18 MR. IACOPINO: I don't have any other  
19 questions.

20 PRESIDING OFFICER WEATHERSBY: Any other  
21 member of the Committee have any other further questions?

22 DIRECTOR MUZZEY: No.

23 PRESIDING OFFICER WEATHERSBY: Attorney  
24 Beliveau, would you like to redirect?

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1 MR. BELIVEAU: Yes. I do have a couple  
2 of questions on redirect, madam Chair. Thank you.  
3 Really, it's just to make some clarification.

4 **REDIRECT EXAMINATION**

5 BY MR. BELIVEAU:

6 Q. So, my first questions are for Mr. Ferguson. Earlier  
7 you testified that the employees at this facility will  
8 be employed by an affiliate of Calpine Granite. Is the  
9 full name of that affiliate "Calpine Operating Services  
10 Company, Inc."?

11 A. (Ferguson) That's correct.

12 Q. Thank you. You've also testified that, under the  
13 current ownership of the facility, there's a contract  
14 with NAES, N-A-E-S, and that -- and NAES provides  
15 employees at the facility to operate and maintain the  
16 facility, is that correct?

17 A. (Ferguson) That's correct.

18 Q. And, I believe you also testified that the contract --  
19 or, I should say, I'm sorry, the purchase and sale  
20 agreement that currently exists between Granite Ridge  
21 Holdings, as the current owner of the membership  
22 interest in Granite Ridge Energy, so that contract,  
23 which is between Granite Ridge Holdings and Calpine  
24 Granite Holdings, has a provision that allows Calpine

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1 Granite to terminate the NAES contract upon closing, is  
2 that correct?

3 A. (Ferguson) Not being a lawyer, but I would answer that  
4 the contract is between the current owner and NAES.  
5 And, they will terminate the agreement. Calpine is not  
6 a signature to that agreement.

7 Q. Yes. No, I probably confused you with the way I  
8 phrased my question, and I apologize. I believe you  
9 testified that the contract to provide NAES employees  
10 is between NAES and Granite Ridge Energy?

11 A. (Ferguson) Correct.

12 Q. Thank you. The purchase and sale agreement that  
13 Calpine Granite Holdings has with Granite Ridge  
14 Holdings to purchase the plant, I believe you  
15 testified, gives Calpine Granite the option to have  
16 that NAES contract terminated, is that correct?

17 A. (Ferguson) It is my understanding that the current  
18 owner will terminate the agreement --

19 Q. Right.

20 A. (Ferguson) -- on the date of sale.

21 Q. Okay. And, I believe, did you testify that a decision  
22 has been made to terminate that NAES contract?

23 A. (Ferguson) Yes.

24 Q. And, did Calpine Granite make Granite Ridge aware of

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1 its desire to terminate that contract?

2 A. (Ferguson) Yes.

3 Q. Now, since that desire has been expressed to Granite  
4 Ridge, I believe you testified that you and others at  
5 your company have had the opportunity to interview and  
6 otherwise review the qualifications of those NAES  
7 employees, and then decide whether your company would  
8 be making them offers of employment?

9 A. (Ferguson) That's correct.

10 Q. And, I believe you testified that, with the exception  
11 of one employee, Calpine Operating Services Company  
12 has, in fact, made offers of employment to all of the  
13 what will be former NAES employees?

14 A. (Ferguson) That's correct.

15 Q. Okay. And, so, upon the consummation of this  
16 transaction, is it fair to say that I believe the  
17 number is 25 of the 26 current employees will, in fact,  
18 be staying on as employees of Calpine Operating  
19 Services and working at the facility?

20 A. (Ferguson) That's correct.

21 Q. And, is it also fair to say that, as a result of that,  
22 Calpine Granite will be able to draw upon those  
23 employees' substantial experience with the existing  
24 plant?

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1 A. (Ferguson) That is correct also.

2 Q. Thank you. Mr. Ferguson, based on the due diligence  
3 that's been conducted of the facility by Calpine and  
4 its various teams who have been investigating this  
5 asset, is it your understanding that the facility has  
6 been operated in compliance with the Certificate of  
7 Site and Facility?

8 A. (Ferguson) Yes.

9 MR. BELIVEAU: Madam Chair, that's the  
10 completion of my redirect for Mr. Ferguson. But, if this  
11 is an appropriate time, I would like to make an offer of  
12 proof with regard to one of the questions that Attorney  
13 Iacopino asked one of the witnesses?

14 PRESIDING OFFICER WEATHERSBY: That's  
15 fine.

16 MR. BELIVEAU: Sure. So, Attorney  
17 Iacopino asked if -- I believe, asked Mr. Ferguson if he  
18 or, to his knowledge, if anyone at the Company had been in  
19 contact with representatives from the Town of Londonderry.  
20 And, I can represent to the Committee that, in fact,  
21 representatives of Calpine Corporation have, in fact, met  
22 with the Town Manager, and have, you know, shortly after  
23 actually the purchase and sale agreement was announced,  
24 representatives from Calpine met with the Town Manager.

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1 We shared with them this news, told them about the  
2 Company, told them that it was Calpine's every intention  
3 to continue to operate it in substantially the same manner  
4 that it has been operated, and had a full discussion on  
5 and asked whether the municipality had any concerns, and  
6 none were indicated. And, I believe it's reasonable to  
7 assume that, since the Town concluded that it didn't need  
8 to intervene, that that relationship we believe is quite  
9 solid, and we've had a good contact with them.

10 MR. IACOPINO: Thank you. Thank you,  
11 Mr. Beliveau. Obviously, that's an offer of proof. And,  
12 I only say this, because I sat through the original  
13 hearings in this case, and much of what went on  
14 after-the-fact with AES. And, I'm very happy to hear  
15 that. And, I would encourage the Company to maintain your  
16 relationships with the Town. I know that, in the past,  
17 they have been maintained.

18 We've had Ms. Smith come before us on a  
19 number of occasions when things were -- of course, this is  
20 assuming that this Committee approves this sale, but they  
21 have come before us on a number of occasions, both for --  
22 on informational purposes and to have amendments to the  
23 Certificate. And, it's always a benefit to know that  
24 there's been some groundwork done at the local level

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1 before you come to the Site Evaluation Committee.

2 PRESIDING OFFICER WEATHERSBY: Anything  
3 further, Mr. Beliveau, --

4 MR. BELIVEAU: I don't have any --

5 PRESIDING OFFICER WEATHERSBY: -- for  
6 redirect?

7 MR. BELIVEAU: No, madam Chair. I don't  
8 have any further direct. But, at the appropriate time, I  
9 don't know if we're going to have an opportunity for any  
10 kind of closing statement or a closing remark, but, if so,  
11 I'll take that opportunity.

12 PRESIDING OFFICER WEATHERSBY: We're  
13 going to ask Mr. Brooks first.

14 MR. BELIVEAU: Sure.

15 PRESIDING OFFICER WEATHERSBY: Mr.  
16 Brooks, I understand you have no witnesses. Would you  
17 like to make a statement or an argument?

18 MR. BROOKS: Yes. Thank you, madam  
19 Chair. My only concern -- my only comment is the logical  
20 one that, as you read the Application, it essentially says  
21 that "you ought to grant a transfer of the Certificate to  
22 Calpine Granite", and then goes on to say "you should do  
23 it because Calpine Corporation, the parent company, has  
24 both the managerial capacity and the financial capacity."

1                   And, so, I went and tried to investigate  
2                   and ferret out from the parent company if I had any  
3                   problems with them. If they were a nefarious corporation,  
4                   if they had a poor track record, if they were financially  
5                   in rough shape, and I didn't find any of that. And, it  
6                   looks like a really good company. Clearly has a lot at  
7                   their disposal.

8                   And, in fact, I'll mention as well, that  
9                   they testified that they support environmental  
10                  initiatives, like EPA's Clean Power Plan. I'm an  
11                  intervenor in EPA's Clean Power Plan. And, sure enough,  
12                  across my desk came a pleading with Calpine's name on it.  
13                  So, they do do that, and I appreciate that they do that.

14                  But, logically, I'd like to link the  
15                  Application to the entity that actually has the financial  
16                  ability and the managerial capacity. And, so, you know,  
17                  we found some more information today that we didn't have  
18                  before, about the fact that Calpine Granite will be  
19                  capitalized in a way that was not previously in testimony,  
20                  and that actually their debt obligations would be  
21                  essentially erased, which certainly changes that.

22                  But I would like the Committee to impose  
23                  a condition that requires the Calpine parent company,  
24                  Calpine Corporation, to be bounded by the terms of the

1 Certificate. And, that doesn't mean that they have to be  
2 a Certificate holder. But, essentially, that they will  
3 have to live up to their statement that says that they  
4 will "ensure" that Calpine Granite actually fulfills those  
5 conditions.

6 So, and I'll note that the actual  
7 conditions in the Certificate, as I read them, and I don't  
8 think I'm missing any, don't appear to be that onerous.  
9 In fact, as far as I can see, there is no specific  
10 financial requirement condition. There is no requirement  
11 that there be a certain amount of cash on hand or a  
12 certain debt ratio or anything else. Most of it is  
13 relatively technical. And, things that I expect that both  
14 Calpine Granite and Calpine Corporation would live up to.

15 I'll give you an example. This is  
16 Attachment B, called "Transmission Conditions to the  
17 Certificate". And, it says that "Substations shall be  
18 constructed and operated in accordance with the standards  
19 of PUC 306 and in accordance with the National Electric  
20 Safety Code and the National Electric Code as contained  
21 therein." I have no question that that's probably going  
22 to be done.

23 But, to the extent that Calpine Granite  
24 needs to be held to that standard and make sure they have



1 the capacity, I would like to see Calpine Corporation be  
2 in that mix, and they say that they do not have even any  
3 bilateral contracts or other obligations that actually are  
4 enforceable against Calpine Granite.

5 So, I would like to see a connection  
6 between the Applicant, as stated in the Application, and  
7 that which has been demonstrated in the Application as  
8 being the entity with the financial wherewithal and the  
9 managerial capacity. And, again, that doesn't necessarily  
10 mean they have to be a certificate holder. And, I don't  
11 want to, you know, unnecessarily encumber a larger  
12 corporation. There's a reason why folks usually use  
13 holding companies and other corporate structures to limit  
14 their liabilities, and I respect that. But, again,  
15 logically, as you read the Application, I think you see a  
16 disconnect between the technical Applicant and the entity  
17 that has the expertise.

18 I'll remind you of the condition that  
19 was put into the Laidlaw facility certificate, which is  
20 something I was involved in. And, I think that, I've gone  
21 over this with opposing counsel ahead of time, so that we  
22 could both know what we were going to say to the  
23 Committee, and I think that he'll have a reasoned response  
24 to why those facilities are very different, and I agree

1 with that. They are very different. But, again,  
2 logically, to connect them, this is what you did for the  
3 Laidlaw facility. This is a quote. It says: "As a  
4 condition of a certificate issued in this docket", and  
5 then names the parent company, "and their successors and  
6 assigns, will all be required to guarantee performance of  
7 all the terms and conditions of the Certificate, and to be  
8 jointly and severally liable for the performance of said  
9 conditions. Such guarantees shall be in a form and  
10 substance reasonably acceptable to the Subcommittee, and  
11 shall be fully executed and accepted by the Subcommittee  
12 prior to commencement of construction. In addition, each  
13 entity will be identified in the certificate, and the  
14 Committee may pursue enforcement activity against any or  
15 all of the entities."

16 Now, maybe you don't need that much  
17 here. There were a significant number of question marks  
18 with the biomass facility that's in Berlin. But I think  
19 that that theme, in order to connect the Application to  
20 the certificate that you're going to transfer, should be  
21 carried forward, and that Calpine Corporation should have  
22 some obligations to fulfill or guarantee or "ensure", as  
23 they say, the requirements in the Certificate. Thank you.

24 PRESIDING OFFICER WEATHERSBY: Mr.

1 Beliveau, would you -- Attorney Beliveau, would you like  
2 to make a closing statement?

3 MR. BELIVEAU: Yes, I would, madam  
4 Chair. Thank you.

5 So, at the risk of stating the obvious,  
6 I would like to start out by saying that I believe someone  
7 here today has observed that this transition of this power  
8 plant, from a group of lenders who have no experience or  
9 involvement in the energy world, is now finally taking  
10 place. So, for approximately eleven years, this facility  
11 has been owned by a consortium of private lenders, who  
12 were forced to take it back through a voluntary  
13 foreclosure. That group of lenders refused and did not  
14 provide any guarantee whatsoever. They went out, because  
15 they had no experience and no knowledge whatsoever on how  
16 to run a power plant, they had to go out and hire a third  
17 party to run it.

18 That has continued for eleven years.  
19 And, to the credit of the NAES employees, it has run  
20 successfully, it has run profitably, and it has run --  
21 been operated in compliance with the Certificate, which  
22 is, of course, the primary concern of this Committee.

23 So, I ask, rhetorically, what has  
24 changed from the way the plant has been owned and operated

1 for the past eleven years and what is being proposed in  
2 this long-awaited transfer? What has changed that now  
3 requires a guarantee of the parent corporation?

4 Well, I can share, in fact, what this  
5 proposed transfer represents. It's going from an  
6 ownership of a group of lenders, who know little or  
7 nothing about running power plants, to being transitioned  
8 and sold to a company that has a long existence and  
9 experience in owning, operating, developing, constructing  
10 energy facilities. Indeed, it was -- you've heard  
11 testimony today that approximately 26,000 of its  
12 27,000 megawatts is with gas-fired power plants.

13 Not only do you get that dramatic  
14 step-up in experience, but you get the owner of this  
15 facility is the operator and the entity with the  
16 experience. So, instead of having stakeholders, who  
17 frankly don't want to own the facility and have no  
18 experience in it, you are getting one of the top companies  
19 in the country who has vast experience in owning and  
20 operating facilities, has 82 operating power plants,  
21 that's been recognized today as a successful and compliant  
22 company around the country. And, it has a very successful  
23 and proven track record on how to manage, in an integrated  
24 fashion, these plants. And, as you've heard, the way it

1 does that is with operating subsidiaries who typically own  
2 and operate the plants.

3 And, what's being proposed here is that  
4 the Petitioner before the Committee today, which is  
5 Calpine Granite Holdings, is proposed to own 100 percent  
6 of the ownership interest in the entity, the  
7 entity/facility, which is Granite Ridge Energy. Granite  
8 Ridge Energy, LLC, owns the real estate, the real estate's  
9 title in that entity, owns all of the assets, which the  
10 marketplace and Calpine has valued at approximately  
11 \$500 million. So, and -- and, you've heard testimony  
12 today that that -- that the Applicant before you, Calpine  
13 Granite Holdings, will own that facility free and clear,  
14 again, with what we believe is a market valued  
15 \$500 million.

16 Attorney Brooks has made reference to  
17 one of the important prior dockets that's been before this  
18 Committee, and that's the Laidlaw biomass facility that  
19 was ultimately constructed in Berlin. And, in that 2010  
20 docket, what was before the Committee was a proposal to  
21 bring yet another facility/power plant to a city that had  
22 experienced more than ten years of failures of plants and  
23 other ill-considered development projects in the downtown  
24 heart of a city.

1                   And, so, the SEC was presented in  
2                   Laidlaw with an applicant, the Applicant being Laidlaw,  
3                   that acknowledged it had no experience, no management, no  
4                   technical know-how on how to operate or build a biomass  
5                   plant. That was your Applicant in Laidlaw. Moreover,  
6                   that facility was going to be built on a brownfields  
7                   property, a "brownfields property" being a contaminated  
8                   piece of real estate. So, there were going to be special  
9                   covenants on how that property would be developed and  
10                  used.

11                  Importantly, the real estate was not  
12                  proposed to be owned by the Applicant, Laidlaw, it was  
13                  going to be owned by yet a third party that had the name  
14                  of PJPD. And, via another third party, what I call a  
15                  "Third Party Number 2", and that entity was known as  
16                  "Newco", was going to be responsible for kind of  
17                  undertaking the construction of the biomass plant, from  
18                  the ground up. Because you may remember, the prior Fraser  
19                  mill or Berlin mill was going to be removed.

20                  And, Laidlaw was proposing to do this  
21                  with virtually no cash investment whatsoever from it.  
22                  Instead of a cash investment, where the money was coming  
23                  from was various new market tax credits and private  
24                  placement financing.

1                   Now, in the event the bio facility was  
2                   successfully designed, engineered, and constructed, and,  
3                   by the way, by a company, Babcock & Wilcox, which had  
4                   never done so before, I take all of this from the record  
5                   in that proceeding, Newco was then going to contract with  
6                   Homeland Renewable Energy, which, in turn, was going to  
7                   subcontract with a company called "Fibrowatt Operations"  
8                   to manage and operate the facility.

9                   So, you start to get a flavor, with the  
10                  Applicant had no stake in this game, the Applicant did not  
11                  own the real estate, was not going to own the facility,  
12                  and was not going to operate it. That's what was before  
13                  the Committee.

14                  So, I would respectfully suggest that,  
15                  in 2010, the Committee, and Public Counsel, was rightly  
16                  concerned that Laidlaw, the Applicant, had no stake in its  
17                  proposal. And, as a result, when it was kind of made  
18                  clear to the Applicant, it was a combination of, when you  
19                  read the record, really Public Counsel asking, and the  
20                  Applicant offering, to provide the property owner, which  
21                  was PJPD, would provide a assurance or written guarantee,  
22                  as well as the operating company. That's how that idea of  
23                  a written guarantee from the additional companies involved  
24                  came to be.

1           And, I would suggest to you, that was  
2 needed in Laidlaw. Now, Laidlaw further evolved beyond  
3 2010. It was back before you, I believe it was in 2011,  
4 and the ownership structure had changed yet again, as they  
5 continued to search for financing in the private sector.  
6 They finally cobbled together enough financing. And,  
7 ultimately, kind of the restructured company, various  
8 parties to that, in fact, there were three, the owner of  
9 the real estate, the entity who was going to actually  
10 lease it, and then the operator, were all required to  
11 guarantee. Which, again, made sense, because there was no  
12 central owner/operator.

13           Now, I'd just like to contrast the  
14 situation in Laidlaw, which has been cited here by Public  
15 Counsel as precedent for how this Applicant should be  
16 treated, I'd like to contrast with what's before you  
17 today.

18           Today, you have an existing power plant  
19 that has been -- has had its Certificate since 1999, and  
20 has operated and generating power since April of 2003.  
21 So, that's almost thirteen years. And, the testimony  
22 today has been that the facility has operated in  
23 compliance with the Certificate. And, it's also been made  
24 clear, through testimony and the Petition, that the



1 existing Certificate holder, Granite Ridge Energy, is  
2 owned by a consortium of project lenders, and that these  
3 lenders have no experience in owning or operating power  
4 plants, and, for that matter, they don't -- they're not  
5 involved in energy-related business activities. And,  
6 importantly, they have guarantied nothing.

7 The prospective new owner and operator  
8 has long experience in this industry. I believe the  
9 testimony, both prefiled and what's been presented through  
10 the witness today, presents a compelling, dynamic,  
11 successful company, who knows how to operate power plants  
12 around the country. They are not relying on the project  
13 to finance the debt, unlike Laidlaw, which was leveraged  
14 to the maximum extent possible. Here, this facility is  
15 going to be acquired with cash on hand and debt incurred  
16 at the parent level. Allowing the Applicant, the  
17 operating subsidiary, Calpine Granite Holdings, to own  
18 this asset free and clear.

19 You've also heard that they will  
20 directly employ the present plant manager, and  
21 substantially all of the employees that have been  
22 successfully operating it for many years.

23 Simply put, Calpine Granite Holdings is  
24 not Laidlaw. We think it's inappropriate to simply,

1 because that was done six years ago, in an instance which  
2 really called out for, and, in fact, the Applicant freely  
3 acknowledged at the time that "Yes, you need to make sure  
4 that the owner of the real estate, that the operator of  
5 the plant agree to be bound by the terms of the  
6 Certificate. That's certainly logical."

7 But here we have a well-capitalized,  
8 very knowledgeable owner/operator, who is before you today  
9 as the Petitioner, certainly will be bound by any order  
10 that this Committee issues. And, through our  
11 conversations with Public Counsel, and, certainly, at the  
12 request of the Committee or Madam Chair, who's present at  
13 the prehearing conference and Attorney Iacopino, it was  
14 suggested that perhaps a proposed order could be prepared  
15 between Public Counsel and the Applicant. That, in fact,  
16 has been done. It's been presented to Public Counsel.  
17 And, I believe, and Public Counsel can speak to this, but  
18 I believe that the proposed order that I have with me  
19 today is generally acceptable to Public Counsel, with the  
20 exception of this issue that we're talking about, in terms  
21 of whether Calpine Corporation should provide a written  
22 guarantee for -- to assure performance of the terms and  
23 conditions.

24 And, what we have offered and what we

1 have included in the proposed order, which we believe is  
2 more than adequate, and that the testimony and the  
3 evidence presented today overwhelmingly supports it, is  
4 that Calpine Granite Holdings, the Applicant, and its  
5 affiliates, and we've talked about today who those  
6 affiliates are, will stand behind the representations made  
7 in the Joint Petition and the testimony offered here  
8 today, and will ensure that Granite Ridge Energy abides by  
9 all the terms and conditions of the SEC's Certificate.

10 That testimony has been made here today, under oath, and  
11 that testimony is reflected in the proposed order. And,  
12 we believe that that is both reasonable, appropriate, and  
13 is representative with -- to the extent any risk exists,  
14 is consistent and commensurate with the risk.

15 We think it's inappropriate and  
16 unreasonable, and unfair, frankly, to apply a standard  
17 that was adopted in a first-time, you know, cobbled  
18 together scenario to try to develop yet another plant in  
19 Berlin. And, certainly, I'm sure the Committee at the  
20 time wanted to take great care that Berlin wasn't the butt  
21 of another failed project, and looked to take extra steps.

22 Here, in Londonderry, you've got an  
23 outstanding track record of an existing operating power  
24 plant, and we believe that what's been offered and what's

1 reflected in the proposed order is adequate, fair, and  
2 reasonable. Thank you.

3 PRESIDING OFFICER WEATHERSBY: Okay.  
4 Thank you. Attorney Brooks, have you seen the proposed  
5 order?

6 MR. BROOKS: Yes. And, I have no  
7 objection to opposing counsel offering that to the  
8 Committee as a proposal. Again, we do have the one area  
9 of relatively small disagreement, but I think important to  
10 look at. But, otherwise, I think it would be helpful for  
11 the Committee to actually have that, if it hasn't been  
12 submitted already. I don't object to it being submitted.

13 PRESIDING OFFICER WEATHERSBY: Thank  
14 you. Yes, I think that would be helpful for the  
15 Committee. And, so, just to be clear, Attorney Brooks,  
16 you're in agreement with the terms in the proposed order,  
17 except for the guarantee that you'd like to see, the  
18 corporate --

19 MR. BROOKS: Correct.

20 PRESIDING OFFICER WEATHERSBY: -- the  
21 parent guarantee?

22 MR. BROOKS: Correct.

23 PRESIDING OFFICER WEATHERSBY: Thank  
24 you.

1 MR. IACOPINO: Can I ask him a question?

2 PRESIDING OFFICER WEATHERSBY: Okay.

3 MR. IACOPINO: Mr. Brooks, I just have  
4 one question. According to Exhibit C to Mr. Del Valle's  
5 testimony, the corporate structure here, each entity is  
6 owned 100 percent by the entity above it. So, Granite  
7 Ridge Energy, LLC, is proposed to be owned 100 percent by  
8 Calpine Granite Holdings, which, at least according to the  
9 representation, is owned 100 percent by Calpine Power  
10 Company, and then Calpine Corporation above that, all  
11 100 percent ownership.

12 I understand you're asking for a  
13 guarantee from -- is it from the Calpine Corporation or  
14 Calpine Power Company, with respect to the conditions of  
15 the Certificate?

16 MR. BROOKS: Actually, it was Calpine  
17 Corporation. The reason that I did it, again, is that the  
18 Applicant bears the burden of showing that they have the  
19 responsibility. And, the way they chose to frame the  
20 Application was, I believe, if I'm not mistaken, to use  
21 Calpine Corporation. So, I didn't try to choose another  
22 entity in the string of entities that goes down to Calpine  
23 Granite. I chose what the Application provided to me, in  
24 terms of information of the entity that had the managerial

1 and the financial capacity.

2 MR. IACOPINO: Does the fact that each  
3 subsidiary is owned 100 percent give you any comfort at  
4 all that --

5 MR. BROOKS: I think it gives you some  
6 financial --

7 *[Court reporter interruption.]*

8 MR. BROOKS: I think it gives you the  
9 financial comfort to some extent, and I think that the  
10 incentives are there. And, again, we have new information  
11 today about specifically how Calpine Granite will be done.  
12 My concern about the financial side I think is decreased,  
13 based on that information, if you add that to the  
14 structure that you just talked about.

15 The managerial side of it, I think that  
16 there still is a disconnect that I'd like to see closed.

17 MR. IACOPINO: Out of fairness,  
18 Mr. Beliveau, if you wanted to respond to my questions as  
19 well?

20 MR. BELIVEAU: Well, I was focusing on  
21 Attorney Brooks' response. Would you mind asking your  
22 question again, Attorney Iacopino?

23 MR. IACOPINO: Well, basically, what I  
24 was asking him, because I wanted to determine which

1 company he actually was seeking the written guarantee  
2 from. But, in addition to that, I asked him what effect  
3 the fact that each subsidiary is owned 100 percent by the  
4 subsidiary above it, at least in the org chart, whether  
5 the Committee should take any comfort from that?

6 MR. BELIVEAU: And, in response to that  
7 question, I believe that, again, you know, in contrast to  
8 others projects that you've seen, Laidlaw, in particular,  
9 the -- I wish I had it to show you, but the ownership  
10 structure in Laidlaw, and, frankly, other projects that  
11 have been before the Company [Committee?], has often been  
12 very complex, with many, you know, fractional owners, with  
13 arrows and org charts going in all kinds of different  
14 directions. And, here, I believe it's significant that  
15 it's a straight line. It's all 100 percent owned.  
16 Clearly, these entities have, each one of them in the  
17 line, have a dramatic vested interest in the success and  
18 profitability of this Company. It all rests within the  
19 Calpine family.

20 And, I think, I mean, it goes without  
21 saying, and I know the Committee looks at each application  
22 that comes before it and looks at it based on its own  
23 facts and the way that the structure is proposed. And,  
24 here, the 100 percent ownership, straight line, all

1 Calpine, I think is significant. It shows that, as  
2 already been heard today, these entities have a major  
3 stake in the success of this facility and are all deeply  
4 vested in it.

5 And, we believe that the assurance  
6 that's been offered through the proposed order is, again,  
7 more than adequate. And, I believe the Committee now has  
8 a pretty good understanding on how this Company operates  
9 and why that it will be successful in this way.

10 MR. IACOPINO: Do the managers of each  
11 of the LLCs report directly to the Board of Directors of I  
12 guess it would be Calpine Power? I assume there's  
13 managers for each of the LLCs. So, Granite Ridge, LLC,  
14 there will be managers as part of the limited liability  
15 company?

16 MR. BELIVEAU: I personally don't know  
17 the answer to that. But I'm reasonably confident in  
18 saying that, in this integrated structure, that,  
19 ultimately, everyone reports to, you know, the same, the  
20 same boss. I mean, that's the way the Company functions.

21 MR. IACOPINO: Thank you.

22 MR. BELIVEAU: As mentioned, we have a  
23 proposed order to offer to the Committee, and I have  
24 multiple copies that I can leave with the Committee.



1                   Before the Committee closes the hearing  
2 completely, if it's -- if you'd be willing, we'd  
3 appreciate the opportunity to have some conversation with  
4 Public Counsel, to see if there's an opportunity to try to  
5 actually present a fully unified stipulation as to the  
6 terms of the proposed order?

7                   PRESIDING OFFICER WEATHERSBY: How much  
8 time would you think you would need to do that,  
9 Mr. Beliveau?

10                  MR. BELIVEAU: Well, I'm thinking of  
11 today. I'm not thinking of, you know, down the road  
12 somewhere.

13                  PRESIDING OFFICER WEATHERSBY: Minutes.

14                  MR. BELIVEAU: And, I realize it is  
15 quarter to 12. And, we'd be happy to try to have that  
16 conversation before a lunch break. I know there was a  
17 possibility that the Committee may deliberate today. Or,  
18 if you wanted us to try to have that conversation during a  
19 lunch break, we're very open to that as well.

20                  PRESIDING OFFICER WEATHERSBY: I think  
21 we are planning on deliberating today, as long as there's  
22 no objections from the Committee. So, why don't we break  
23 for lunch. And, then, you can use that time during the  
24 break --

1 MR. BELIVEAU: Absolutely.

2 PRESIDING OFFICER WEATHERSBY: -- to try  
3 to work something out --

4 MR. BELIVEAU: Good.

5 *[Court reporter interruption.]*

6 PRESIDING OFFICER WEATHERSBY: We're  
7 breaking for lunch. Why don't we resume at one o'clock.  
8 Okay?

9 MR. BELIVEAU: Thank you.

10 PRESIDING OFFICER WEATHERSBY: See you  
11 at 1:00.

12 MR. SMITH: Excuse me. May I say  
13 something, before the hearing is officially closed? I  
14 would just like to put on the record that --

15 *[Court reporter interruption.]*

16 PRESIDING OFFICER WEATHERSBY: If you  
17 could use the microphone.

18 MR. IACOPINO: Use the mike.

19 MR. SMITH: Pardon me. Maureen Smith,  
20 for Granite Ridge Energy, LLC. We would just like to  
21 state for the record that Granite Ridge Energy requests  
22 expeditious approval by this Committee of the Joint  
23 Petition, as submitted. And, we have moved for  
24 expeditious approval, and would just like to repeat that

1 request for the record. Thank you.

2 PRESIDING OFFICER WEATHERSBY: Thank  
3 you. Okay. Well, then, we're adjourned, and we'll  
4 reconvene at one o'clock.

5 MR. BELIVEAU: Thank you very much.

6 (Lunch recess taken at 11:44 a.m. and  
7 the hearing reconvened at 1:25 p.m.)

8 PRESIDING OFFICER WEATHERSBY: Okay.  
9 We're going to reconvene the meeting. Attorney Beliveau  
10 or Attorney Brooks, could you give us an update on your  
11 progress.

12 MR. BELIVEAU: Yes. Thank you, Madam  
13 Chair and members of the Committee, for giving us some  
14 additional time to discuss our open issue. We were not  
15 able to kind of reach agreement -- my client is not able  
16 to give the written corporate parent, Calpine Corporation,  
17 written guarantee that Public Counsel is looking for. So,  
18 we did not reach agreement on that point.

19 However, we found a compromise position  
20 that I believe that both Public Counsel and my client have  
21 accepted. And, I would like to be able to read that into  
22 the record. What we've essentially agreed upon is  
23 additional language that would go into the proposed order  
24 that we have for the Committee today. And that, with this

1 additional language, I believe that Public Counsel and the  
2 Joint Petitioners are prepared to stipulate as to the  
3 proposed order, that both parties are in agreement with  
4 the proposed order, as amended.

5 So, if I may, the Committee has not had  
6 the benefit of seeing the proposed order yet, what would  
7 be the preference, Madam Chair? Would you like me to  
8 provide copies, and then I can kind of show where we're  
9 putting this language? It might be more meaningful to  
10 you.

11 PRESIDING OFFICER WEATHERSBY: I think  
12 that would be helpful.

13 MS. MONROE: Do you need copies made?

14 MR. BELIVEAU: Yes. No, I have extra  
15 copies.

16 MS. MONROE: Okay.

17 (Atty. Beliveau distributing documents.)

18 MR. BELIVEAU: Oh, do you want to do  
19 this --

20 MS. MONROE: I could do that,  
21 absolutely.

22 MR. BELIVEAU: Yes. Okay.

23 MS. MONROE: Yes. Okay. Do you have a  
24 copy, Allen?

1 MR. BROOKS: I do.

2 MS. MONROE: It's okay?

3 MR. BELIVEAU: Yes. So, you can do --  
4 well, however you want to do it, the scribbling is only on  
5 that page.

6 MS. MONROE: Okay. All right. So, I  
7 will go make copies.

8 *[Short pause.]*

9 (Administrator Monroe distributing  
10 documents.)

11 PRESIDING OFFICER WEATHERSBY: Okay.  
12 So, Attorney Beliveau, you've presented us with the Joint  
13 Petition -- excuse me, the proposed order concerning the  
14 Joint Petition for the transfer of membership interests,  
15 and an amendment to that that is handwritten. If you  
16 could summarize your amendment, in your own words, and  
17 then read your handwritten text to us, so we all are  
18 interpreting your handwriting the same way.

19 MR. BELIVEAU: Yes. I was going to say  
20 "Thank you for not saying "interpreting my handwriting".  
21 It doesn't require that.

22 So, what Public Counsel and the  
23 Applicant have agreed to is to make reference to the  
24 testimony that described the extent and type of services

1 that Calpine Corporation and its affiliates provide its  
2 operating subsidiaries. And, then, to further make  
3 reference to the testimony that said that Granite -- that  
4 Calpine Granite Holdings was not obligated to take  
5 advantage of those services, that was the testimony of  
6 Mr. Del Valle. So, that's what we're proposing to add to  
7 this kind of "Conclusion" section.

8 And, then, because that was of concern,  
9 there would be a provision in the "Order" section that, in  
10 fact, requires Calpine Granite Holdings to ensure that the  
11 operating entity, Granite Ridge Energy, does, in fact,  
12 utilize the services, the applicable services provided to  
13 it, to its subsidiaries, through the parent and its  
14 affiliates.

15 So, I will, with that paraphrase, I will  
16 now translate my handwriting: "Messrs. Del Valle and  
17 Ferguson testified as to the nature and extent of support  
18 and services that are provided by Calpine Corporation and  
19 its affiliates. Further testimony indicated that Calpine  
20 Granite Holdings, LLC, was under no obligation to utilize  
21 these services."

22 And, then, in the section captioned  
23 "Order", we would insert a new second paragraph that would  
24 read as follows: "It is further ordered, that Calpine

1 Granite Holdings, LLC, shall ensure that Granite Ridge  
2 Energy, LLC, shall utilize the applicable services,  
3 managerial systems and support offered by Calpine  
4 Corporation and its affiliates."

5 PRESIDING OFFICER WEATHERSBY: Attorney  
6 Brooks, you concur with that reading?

7 MR. BROOKS: Yes, I do. And, if you're  
8 willing to take a couple comments on why we reached this  
9 compromise, I would offer them to you?

10 PRESIDING OFFICER WEATHERSBY: Yes,  
11 please.

12 MR. BROOKS: So, obviously, this is not  
13 perfect, in the sense it's not everything that we wanted  
14 here. I would ask that you look at this amendment in the  
15 context of the entire proposal that we've worked out.  
16 And, specifically, on Page 5, it does state that, you  
17 know, "Calpine Granite and its affiliates will stand  
18 behind...and ensure [compliance with] the Certificate",  
19 that is from the -- not from the parent company, but from  
20 a company that's I think in a pretty good position now.

21 As was mentioned by Counsel Iacopino,  
22 the structure here is a lot more simplified than what we  
23 had in Laidlaw. It is just a top-down structure. The  
24 incentives are there for the parent company to make sure

1 that this facility is run properly, and that it's as  
2 profitable as it can be, and it has -- enjoys as much  
3 longevity as it can.

4 We heard testimony today about the staff  
5 of the facility, and essentially that the managerial  
6 staff, who's been running this plant for a number of  
7 years, will be there, all except one. So, that's an  
8 awfully good start with respect to management. The  
9 testimony today that was new with respect to finance  
10 helped pushed me along towards saving that this was enough  
11 of an assurance, specifically, the testimony that they  
12 will essentially be obtaining a debt-free facility by a  
13 cash transaction. That helped me get over some of the  
14 concerns that I had about what the finances might actually  
15 look like there.

16 And, again, the Certificate itself that  
17 will be transferred has no specific financial requirement  
18 as to what must go on. So, actually, that's a pretty good  
19 position.

20 The actual amendment that we worked  
21 really doesn't advance the ball all that much. But, I  
22 think, within the overall context of the testimony that we  
23 heard today, and the prefiled testimony, and, again, the  
24 incentives that are inherent in this structure, this



## [Deliberations]

1       seemed reasonable.

2                       I did feel a need to pull back a little,  
3       in order to respect the corporate structure that most of  
4       these types of plants operate under.  In other words, you  
5       do have some removal from liability from the parent  
6       company, and that's why the holding companies are set up  
7       this way and why the corporations are set up this way.

8                       Calpine Corporation does have a great  
9       number of facilities that it would have to manage  
10      nationwide.  And, as explained to me, the burden on the  
11      Company to ensure in the manner that we're suggesting, if  
12      they had to do that for all 85 facilities, or however many  
13      they have, would have been too much for them to actually  
14      accommodate within the context of this proceeding to set  
15      that precedent.

16                      So, I appreciate your time.  But that's  
17      my thoughts on why we're willing to agree to this order,  
18      as amended.

19                      PRESIDING OFFICER WEATHERSBY:  Okay.  
20      Anything else, Attorney Beliveau?

21                      MR. BELIVEAU:  Nothing further.

22                      PRESIDING OFFICER WEATHERSBY:  Attorney  
23      Smith or Patch, do you have anything you'd like to add or  
24      voice your concurrence with the proposed order?

## [Deliberations]

1 MR. SMITH: We do voice our concurrence.  
2 And, again, just request approval on an expeditious basis.  
3 Thank you.

4 (Presiding Officer Weathersby conferring  
5 with Atty. Iacopino.)

6 PRESIDING OFFICER WEATHERSBY: Okay. We  
7 will close the record in this matter and we will  
8 deliberate.

9 **D E L I B E R A T I O N S**

10 PRESIDING OFFICER WEATHERSBY: Does  
11 anyone on the Subcommittee have a motion or do we wish to  
12 begin our deliberative session?

13 In fact, would anyone like to go into a  
14 nonpublic -- a non-meeting with counsel? I think there  
15 are some questions we had for our lawyer. Would that be  
16 helpful to the Committee? And, if so, do we have a  
17 motion?

18 Director Muzzey.

19 DIRECTOR MUZZEY: I feel that -- I feel  
20 that would be helpful. And, I would make the motion that  
21 we go into a non-meeting with our attorney. A brief  
22 non-meeting, I would add.

23 PRESIDING OFFICER WEATHERSBY: Is there  
24 a second?

## [Deliberations]

1 MR. DUCLOS: Seconded.

2 PRESIDING OFFICER WEATHERSBY: All in  
3 favor?

4 *[Multiple members indicating "aye".]*

5 PRESIDING OFFICER WEATHERSBY: Okay.  
6 So, we're going to take a hopefully brief non-meeting in  
7 the next room to address some questions to counsel.

8 MR. IACOPINO: Don't go too far.

9 (Whereupon a recess was taken at 1:40  
10 p.m. for the Subcommittee to conduct a  
11 non-meeting with SEC Counsel. The  
12 deliberations reconvened at 2:12 p.m.)

13 PRESIDING OFFICER WEATHERSBY: Okay.  
14 Good afternoon. We're going to reconvene the public  
15 hearing on the Joint Petition of Granite Ridge Energy and  
16 Calpine Granite Holdings for approval to transfer the  
17 membership interests. We're in the deliberative session.  
18 And, we are to decide whether we believe that Calpine --  
19 wait, let me get my chart -- that Granite Ridge Energy,  
20 LLC, has the financial, technical, and managerial  
21 capability to operate the Granite Ridge facility in  
22 accordance with the terms and conditions of the  
23 Certificate of Site and Facility.

24 Our administrative rules requires us to

## [Deliberations]

1 consider a number of factors for each of those three  
2 items. Concerning financial capability, we're required to  
3 consider the following: The Applicant's experience in  
4 securing funding to construct and operate energy  
5 facilities, similar to the proposed facility; the  
6 experience and expertise of the Applicant and its  
7 advisors, to the extent the Applicant is relying on its  
8 advisors; the Applicant's statements of current and pro  
9 forma assets and liabilities; and the financial  
10 commitments the Applicant has obtained or made in support  
11 of the construction and operation of the proposed  
12 facility.

13 Would any member of the Committee like  
14 to lead off a discussion on those factors? Any of them?

15 Director Muzzey.

16 DIRECTOR MUZZEY: Thank you. I would  
17 note that this section of the rules, which lays out these  
18 four concepts, directs the Committee to consider these,  
19 the following, when determining whether or not to award an  
20 applicant a Certificate of Site and Facility. And, our  
21 charge is a little bit different today, in that we are  
22 considering a transfer of membership interests. But I  
23 feel these are very helpful in directing our  
24 deliberations.

## [Deliberations]

1           Some of them, of course, we don't need  
2           to consider, given that this facility is already  
3           constructed, and has had a good operating record since  
4           opening more than ten years ago. And, so, that is  
5           something I feel we can take into consideration as well,  
6           not only financial, technical, and managerial abilities,  
7           but also that operating record, and the record of the  
8           owners and operators of the facility through that time to  
9           keep the Committee informed of its actions, as needed, of  
10          possible issues.

11           So, I find those impressive as well, as  
12          we deliberate on this question.

13           PRESIDING OFFICER WEATHERSBY: I would  
14          concur that, procedurally, what we're facing is something  
15          a little bit different than what is outlined, what these  
16          rules were proposed for, but they certainly are relevant,  
17          and it would be helpful to go through them.

18           Concerning the Applicant's experience in  
19          securing funding to construct and operate energy  
20          facilities, the first factor, I think we've heard  
21          testimony, I know we've heard testimony, that the funding  
22          for this purchase of membership interests has been  
23          secured, by both a 325 --

24           MR. DUCLOS: Yes. The purchase price

## [Deliberations]

1 was 500 million. And, they have a \$550 million term loan.  
2 And, 325 million is going to be to finance through cash on  
3 hand from Calpine Power. So, it seems to me that they  
4 have a very strong financial interest in the success of  
5 Calpine Granite, given their financial stability and  
6 willingness to put up cash on hand.

7 PRESIDING OFFICER WEATHERSBY: I'd note,  
8 too, that this financing is similar to what they have done  
9 for other power plants, including the Fore River plant.

10 Another factor we're to consider is the  
11 experience and expertise of the applicant and its  
12 advisors, to the extent it's relying on advisors. I think  
13 we've heard a lot of testimony concerning the expertise of  
14 both technical, managerial, and financial expertise of  
15 Calpine Corporation and its subsidiaries, and how that  
16 will benefit this, the Londonderry facility, and Granite  
17 Ridge Energy, LLC.

18 Director Muzzey.

19 DIRECTOR MUZZEY: I would agree that  
20 today, and also in prefiled testimony, and the Petition as  
21 well, we did hear a great deal about Calpine Corporation,  
22 its affiliates, its integrated management approach, and  
23 other items that do inspire confidence that, as the  
24 Applicant relies on the Calpine affiliates, there will be

## [Deliberations]

1 good information and successful record coming out of them.

2 PRESIDING OFFICER WEATHERSBY: And,  
3 we've also heard testimony and received testimony that  
4 Calpine Corporation operates 82 other power plants as part  
5 of the coordinated portfolio of its assets, and along with  
6 that goes much financial capability.

7 A third factor we're to consider is the  
8 Applicant's statements of current and pro forma assets and  
9 liabilities. And, we've heard testimony that their cash  
10 flow is over \$800 million, which is quite substantial.

11 The last factor, the financial  
12 commitments the Applicant has obtained or made in support  
13 of the construction and operation of the proposed  
14 facility. I know we've heard and have received testimony  
15 that the facility is being purchased -- or, membership  
16 interests are being purchased, essentially, debt --  
17 leaving no debt to Granite Ridge Energy, LLC. And, that  
18 the financing commitments are in place, and that adequate  
19 capital will be available for the operation of the  
20 Londonderry facility.

21 Anyone else like to add anything  
22 concerning the financial capability?

23 DIRECTOR MUZZEY: I think that's a very  
24 good summary. Thank you.

## [Deliberations]

1                   PRESIDING OFFICER WEATHERSBY: Moving  
2 onto technical capability. Again, our administrative  
3 rules are designed for a slightly different purpose, but  
4 they certainly are relevant here. So, I will go through  
5 them.

6                   To determine whether an applicant for,  
7 as the rules state, but for a Certificate of Site and  
8 Facility, has the technical capability to construct and  
9 operate the facility, the Committee is required to  
10 consider the following: The applicant's experience in  
11 designing, constructing, and operating energy facilities  
12 similar to the proposed facility; and, two, the experience  
13 and expertise of any contractors or consultants engaged or  
14 to be engaged by the applicant to provide technical  
15 support for the construction and operation of the proposed  
16 facility, if known at the time.

17                   Director Muzzey.

18                   DIRECTOR MUZZEY: Well, we do have the  
19 interesting ability to know the experience and expertise  
20 of the contractors and those providing technical support  
21 for not only, well, the construction, but also the  
22 operation of the facility, because it has been operating.

23                   And, we did hear testimony and have  
24 written information that talks about the success of the



## [Deliberations]

1 plant to date. In fact, we heard that it has won a number  
2 of awards for its operations.

3 We are in the interesting situation in  
4 that we will have Calpine Granite Holdings as a new LLC,  
5 but their intention at this point to use the existing  
6 employees at the plant does seem to provide a solid  
7 transition time, where the technical support needed for  
8 operations would be in place.

9 MR. DUCLOS: I would -- excuse me -- I  
10 would agree to that as well. It's clear, I believe, from  
11 the record of the 82 plants that Calpine Power currently  
12 operates, many are combined-cycle facilities, similar in  
13 nature to this particular one. And, they run three -- or,  
14 two, sorry, in the Northeast Region, of which, if this is  
15 approved, will be their third. A review of the  
16 environmental history of those plants have shown good  
17 compliance. And, their Form 10K and 10Q show no serious  
18 litigation problems. So, obviously, the technical  
19 capabilities of running these type of power plants under  
20 Calpine's leadership is acceptable.

21 PRESIDING OFFICER WEATHERSBY: I would  
22 concur with the Committee members. The fact that all but  
23 one of the staff that's presently running the facility are  
24 being hired to and will continue to operate the facility

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1 is certainly advantageous.

2 Also, the extent and the depth of  
3 experience running various types of energy generating  
4 facilities, including those that are very similar to this  
5 facility. In addition, we've heard testimony concerning  
6 the extent of the parts and supplies inventory that will  
7 be made available, which should only benefit the operation  
8 of the facility.

9 Director Muzzey.

10 DIRECTOR MUZZEY: I would just add that  
11 our thoughts here as we deliberate do balance between the  
12 Applicant, Calpine Granite Holdings, LLC, as well as the  
13 larger Calpine Corporation, and also its affiliates. So,  
14 we are combining, as did testimony and the record, not  
15 only the financial and technical abilities of the  
16 Applicant, specifically, the Applicant, but also the  
17 larger Calpine Corporation, and its affiliates and  
18 services that are available to Calpine Granite Holdings.

19 PRESIDING OFFICER WEATHERSBY: And, I  
20 think, because of that, I take some comfort in the  
21 compromise language suggested by the Parties, the Attorney  
22 General's Office and the Applicant, that the Granite Ridge  
23 Energy, LLC, the owner of the Londonderry facility, will  
24 utilize the applicable services, managerial systems and

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1 supports offered by Calpine Corporation and its  
2 affiliates.

3 MR. DUCLOS: I would just agree to that  
4 as well. It was one of the concerns I had in reviewing  
5 the prefiled testimony as to how the facility would be  
6 operating and with what staff. I was encouraged that  
7 Calpine reached out to the existing staff that's been  
8 operating the facility, according to the testimony,  
9 profitably, and in compliance with all environmental  
10 standards and the Certificate. Having 25 of the 26  
11 current employees to sign on to work for Calpine I think  
12 is very encouraging, and gives us some great trust in the  
13 technical and managerial aspects to continue operating  
14 this facility similarly under new leadership.

15 PRESIDING OFFICER WEATHERSBY: Why don't  
16 we turn then to the managerial capability, which we've  
17 blurred the lines a little bit here, but that's okay. We  
18 are to consider, in determining whether an applicant has  
19 the managerial capability to construct and operate a  
20 facility, we're required to consider the applicant's  
21 experience in managing the construction and operation of  
22 energy facilities similar to the proposed facility. And,  
23 the experience of any contractors or consultants engaged  
24 or to be engaged by the applicant to provide managerial

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1 support for the construction and operation of the proposed  
2 facility, if known at the time.

3           Seems like we've touched on both of  
4 those already, concerning the Applicant's experience in  
5 operating energy facilities similar to this one, given the  
6 Fore River plant and others using a similar, the two-  
7 cycle --

8           MR. DUCLOS: Combined-cycle.

9           PRESIDING OFFICER WEATHERSBY: Combined-  
10 cycle, yes.

11          DIRECTOR MUZZEY: CCGT.

12          PRESIDING OFFICER WEATHERSBY: I've  
13 still got a lot to learn. And, also, the experience and  
14 expertise of the contractors, consultants, in this case,  
15 employees that will be engaged by the -- by Granite Ridge  
16 Energy, LLC, that will provide the managerial support for  
17 the operation of the facility, that being the employees  
18 that were formally associated with the operating company,  
19 NAES.

20          DIRECTOR MUZZEY: I would agree with  
21 that as well. Again, looking at this, both directly to  
22 the facility, as it's been operated over the last ten plus  
23 years, there seems to be sufficient experience and  
24 expertise there to manage that facility, and that also

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1 considering the larger experience and expertise of Calpine  
2 Corp. and its affiliates, I believe the record shows that  
3 there is sufficient ability there to operate this facility  
4 under new ownership.

5 MR. DUCLOS: Yes, I might have blurred  
6 the lines a little bit between technical and managerial.  
7 I looked at managerial more so as the operations of  
8 Calpine and how their transition team would switch Granite  
9 Ridge over to their computer systems, financial systems,  
10 employee systems. And, we've heard testimony to that  
11 effect that the team, all but one, is current, as supplied  
12 in the prefiled testimony, giving us great confidence that  
13 those transitions will be as seamless and as painless as  
14 possible with the current operations at the facility.

15 PRESIDING OFFICER WEATHERSBY: Anything  
16 further?

17 *[No verbal response]*

18 PRESIDING OFFICER WEATHERSBY: So, I  
19 would entertain a motion determining whether we have found  
20 that Calpine has demonstrated by a preponderance of the  
21 evidence that it has the financial, managerial, and  
22 technical capability to construct and operate the facility  
23 in accordance with the Certificate issued to AES  
24 Londonderry, LLC, in Docket 98-02?

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1                   Have we found -- if someone could make a  
2 motion whether we have or have not found that on their  
3 behalf?

4                   DIRECTOR MUZZEY: So moved.

5                   MR. DUCLOS: Seconded.

6                   PRESIDING OFFICER WEATHERSBY: Is there  
7 any discussion?

8                   MR. DUCLOS: I'm in agreement that the  
9 financial, technical, and managerial aspects are in place.

10                   DIRECTOR MUZZEY: I would find it  
11 helpful if we could discuss for a bit the actual language  
12 that was presented to us for an order. And, please let me  
13 know if this is not the proper time to do that. Because I  
14 feel an important key here is the results of the extended  
15 lunchtime discussions among the Parties, where the  
16 relationship between Calpine Granite Holdings and the  
17 services of Calpine Corp. were discussed, and this  
18 addition to a suggested order was included, that I think  
19 is important to the motion, because it does incorporate  
20 not only the abilities of Calpine Granite Holdings, but  
21 also the services, managerial systems available through  
22 Calpine Corp. and its affiliates.

23                   PRESIDING OFFICER WEATHERSBY: I  
24 certainly would agree. And, if the motion passes, I would

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1 like to direct counsel to draft an order that is  
2 substantially similar to the proposed order, including the  
3 agreed upon compromise language that was handwritten in  
4 this proposed order.

5 MR. DUCLOS: We're in a dead-air space.  
6 So, sounds reasonable to me to do that.

7 MR. IACOPINO: As counsel, I have a  
8 question, if you don't mind, Madam Chair. If I understand  
9 the motion correctly, the motion is to approve -- is to  
10 grant the relief requested in the Petition, which is to  
11 authorize the transfer of the ownership interests, subject  
12 to the conditions that are contained in the lunchtime  
13 amendment to the proposed order, but to also direct  
14 counsel to prepare an order that's substantially similar  
15 to the proposed order. And, I assume that's to  
16 incorporate the stylistic and any other facts that have  
17 been discussed during deliberations that may not be in the  
18 proposed order. Just I'm looking for direction, in terms  
19 of, if this motion passes, that's what I understand my  
20 obligation would be to do for you guys?

21 PRESIDING OFFICER WEATHERSBY: Yes,  
22 that's my understanding as well. Director Muzzey.

23 DIRECTOR MUZZEY: And, I would add also,  
24 and this may already be in this large amount of

## [Deliberations]

1 information we've been given since lunch, but the idea  
2 that any future changes in ownership or attempts to  
3 transfer the Certificate would also be continued to be  
4 subject to the approval of this Committee.

5 MR. IACOPINO: Understood.

6 MR. DUCLOS: It's also understood that  
7 we're authorizing transfer of the membership interests in  
8 Granite Ridge to Calpine Granite. However, Granite Ridge  
9 will be the continuing obligations to receive the  
10 Certificate. So, the Certificate goes to Granite Ridge in  
11 this. Does that need to be in the order as well?

12 MR. IACOPINO: I actually think it's  
13 probably -- it's in there, in terms of the explanation --  
14 the explanatory sections of the order.

15 MR. DUCLOS: I guess my question is,  
16 does it need to be so ordered?

17 MR. IACOPINO: No, I don't think that  
18 needs to be in the ordering paragraphs. I certainly can  
19 put that in, if that's what the Subcommittee wishes. But  
20 the Certificate is already held by --

21 MR. DUCLOS: Granite Ridge.

22 MR. IACOPINO: -- Granite Ridge, LLC.

23 MR. DUCLOS: Okay.

24 PRESIDING OFFICER WEATHERSBY: So, we



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1 have a motion that indicates that we have found by a  
2 preponderance of evidence that Calpine Granite --

3 MR. IACOPINO: Has sufficient --

4 PRESIDING OFFICER WEATHERSBY: That  
5 Calpine Granite?

6 MR. IACOPINO: Yes.

7 PRESIDING OFFICER WEATHERSBY: Yes.

8 Calpine Granite has the sufficient financial, managerial,  
9 and technical capabilities to construct and operate the  
10 facility in accordance with the previously issued  
11 Certificate to Granite Ridge -- or, actually, it was  
12 granted to AES Londonderry, now held by Granite Ridge.  
13 And, that the Joint Petition is granted, and the  
14 Petitioners are authorized to transfer all the membership  
15 interests in Granite Ridge to Calpine Granite. And, we're  
16 directing counsel to prepare an order that's substantially  
17 similar to the proposed order, except for the stylistic  
18 and other changes, and including the agreed upon  
19 compromise language.

20 So, that's the motion before us. So,  
21 we've had a second. And, any further discussion?

22 MR. DUCLOS: I'm in agreement with the  
23 motion.

24 PRESIDING OFFICER WEATHERSBY: All in

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1 favor say "aye"?

2 *[Multiple members indicating "aye".]*

3 PRESIDING OFFICER WEATHERSBY: Opposed?

4 *[No verbal response]*

5 PRESIDING OFFICER WEATHERSBY: None.

6 Abstained?

7 *[No verbal response]*

8 PRESIDING OFFICER WEATHERSBY: None.

9 So, thank you. The order is granted -- or, the Petition  
10 is granted.

11 MR. BELIVEAU: Thank you very much.

12 PRESIDING OFFICER WEATHERSBY: Is there  
13 any further business before the Committee?

14 *[No verbal response]*

15 PRESIDING OFFICER WEATHERSBY: Motion to  
16 adjourn?

17 DIRECTOR MUZZEY: So moved.

18 PRESIDING OFFICER WEATHERSBY: All in  
19 favor?

20 *[Multiple members indicating "aye".]*

21 PRESIDING OFFICER WEATHERSBY: We're  
22 adjourned.

23 ***(Whereupon the deliberations and the***  
24 ***hearing was adjourned at 2:37 p.m.)***