

**THE STATE OF NEW HAMPSHIRE
BEFORE THE
SITE EVALUATION COMMITTEE
DOCKET NO. 2015-04**

PRE-FILED DIRECT TESTIMONY OF MICHAEL J. AUSERÉ

**APPLICATION OF PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
D/B/A EVERSOURCE ENERGY
FOR A CERTIFICATE OF SITE AND FACILITY FOR CONSTRUCTION OF A
NEW 115 kV TRANSMISSION LINE**

THE SEACOAST RELIABILITY PROJECT

April 12, 2016

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Qualifications and Purpose of Testimony

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Q. Please state your name and business address.

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A. My name is Michael J. Auseré. My business address is 107 Selden Street, Berlin, CT 06037.

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Q. By whom are you employed and in what capacity?

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A. I am the Vice President of Energy Planning & Economics. I am employed by Eversource Energy Service Company.¹ Eversource Energy Service Company is a wholly-owned subsidiary of Eversource Energy (Eversource),² a public utility holding company system. Eversource Energy Service Company provides centralized services such as accounting, finance, treasury, legal, purchasing and administrative functions to Eversource's subsidiaries.

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Q. What are your areas of responsibility in this position?

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A. My responsibilities include business development, market analysis and project analysis for Eversource and its subsidiaries. I report to the Executive Vice President of Enterprise Energy Strategy & Business Development.

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Q. Please describe your employment experience and educational background.

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A. Prior to my current position, I was the Vice President of Financial Planning & Analysis at Eversource. I was responsible for corporate financial forecasting, planning and analysis and transaction support for Eversource and its subsidiaries.

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I came to Eversource in 2009 from Energy Future Holdings (EFH) in Dallas, Texas where I served as Vice President of Planning and Analysis for its electric generation and wholesale marketing and trading businesses. Prior to that position, I was Vice President and Controller for EFH's retail and wholesale marketing and trading businesses. Before joining EFH in 2000, I spent eight years with PricewaterhouseCoopers in work that was heavily focused on the energy sector. My assignments included lead manager of the worldwide audit of ExxonMobil.

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¹ Effective July 1, 2015, Northeast Utilities Service Company changed its name to Eversource Energy Service Company.

² Effective April 30, 2015, Northeast Utilities changed its name to Eversource Energy.

1 I graduated from the University of Texas at Austin with a Bachelors of Business
2 Administration in Accounting and a Masters in Professional Accounting. See biography
3 at Attachment A.

4 **Q. What is the purpose of your testimony?**

5 A. My testimony will demonstrate that Public Service Company of New
6 Hampshire doing business as Eversource Energy (“PSNH”)³ has the financial capability
7 to construct and operate the Seacoast Reliability Project (“SRP” or the “Project”), which
8 will consist of a 115 kV line in 12.9 miles of existing rights-of-way. PSNH expects to
9 invest approximately \$77 million in the Project. My testimony will also demonstrate that
10 PSNH has the financial capability to decommission the Project, if necessary.

11 **Q. What is the basis for your position?**

12 A. PSNH’s financial capability to construct and operate the Project in
13 continuing compliance with the terms and conditions of a Certificate of Site and Facility
14 issued by the Site Evaluation Committee is based on the financial strength of PSNH and
15 its parent Eversource and their combined experience financing, constructing, and
16 operating transmission facilities in New England.

17 **Public Service Company of New Hampshire**

18 **Q. Please describe PSNH.**

19 A. PSNH’s business consists primarily of the generation, delivery and sale of
20 electricity to its residential, commercial and industrial customers. As of December 31,
21 2014, PSNH furnished retail franchise electric service to approximately 503,000 retail
22 customers in 211 cities and towns in New Hampshire, covering an area of 5,630 square
23 miles. PSNH also owns and operates approximately 1,200 MW of primarily fossil-fueled
24 electric generation plants. PSNH is subject to regulation by the New Hampshire Public
25 Utilities Commission (“NHPUC”), which has jurisdiction over rates, certain dispositions
26 of property and plant, mergers and consolidations, issuances of securities, standards of
27 service and construction and operation of facilities.⁴

³ PSNH is a wholly-owned subsidiary of Eversource.

⁴ Northeast Utilities 2015 Form 10-K, at 7.

1 PSNH also owns and maintains transmission facilities that are part of an interstate
2 power transmission grid over which electricity is transmitted throughout New England.
3 These transmission facilities are regulated by the Federal Energy Regulatory Commission
4 (“FERC”).

5 **Q. Please describe PSNH’s experience in financing energy infrastructure.**

6 A. PSNH has a proven track record of financing large energy projects such as
7 the Project. During the three years ending December 31, 2015, PSNH invested over \$750
8 million⁵ in new energy infrastructure. As shown in Attachment B, PSNH financed its
9 investments in new energy infrastructure with a combination of internally generated cash
10 flows, long-term and short-term debt issuances and capital contributions from
11 Eversource. Since 2013, PSNH has issued \$325 million in first mortgage bonds. The
12 Project will be financed consistent with the company’s past practice as described above.

13 Long-term debt issued by PSNH must be approved in advance by the NHPUC.
14 During the approval process, the NHPUC evaluates the terms of the proposed issuances
15 as well as the use of proceeds from the issuance.

16 **Q. What are PSNH’s corporate credit ratings?**

17 A. PSNH is rated by the three major credit rating agencies – Standard and
18 Poor’s (“S&P”), Moody’s Investors Service (“Moody’s”) and Fitch Ratings (“Fitch”) –
19 with ratings of A (stable outlook), Baa1 (positive outlook), and BBB+ (positive outlook),
20 respectively.

21 **Eversource**

22 **Q. Please provide an overview of Eversource.**

23 A. Eversource is a public utility holding company subject to regulation by
24 FERC under the Public Utility Holding Company Act of 2005. Eversource engages in the
25 energy delivery business through the following regulated wholly-owned utility
26 subsidiaries: The Connecticut Light and Power Company (“CL&P”), NSTAR Electric
27 Company (“NSTAR Electric”), PSNH, Western Massachusetts Electric Company
28 (“WMECO”), NSTAR Gas Company (“NSTAR Gas”), and Yankee Gas Services

⁵ Id., at 85 (providing total of 2013-2015 investments in property, plant and equipment).

1 Company (“Yankee Gas”).⁶ Eversource’s regulated subsidiaries combined serve over 3.6
2 million electric and gas customers.⁷ While Eversource’s regulated subsidiaries own both
3 transmission and distribution assets, Eversource manages the transmission and
4 distribution segments as separate businesses. Eversource’s electric distribution segment
5 consists of the distribution businesses of CL&P, NSTAR Electric, PSNH and WMECO,
6 which are engaged in the distribution of electricity to retail customers in Connecticut,
7 eastern Massachusetts, New Hampshire and western Massachusetts, respectively, plus the
8 regulated electric generation businesses of PSNH and WMECO. Eversource’s natural gas
9 distribution segment consists of the distribution businesses of NSTAR Gas and Yankee
10 Gas, which are engaged in the distribution of gas to retail customers in eastern
11 Massachusetts and Connecticut, respectively. CL&P, NSTAR Electric, PSNH and
12 WMECO each owns and maintains transmission facilities that are part of an interstate
13 power transmission grid over which electricity is transmitted throughout New England.
14 Each of Eversource’s electric and natural gas utilities that deliver retail service to
15 consumers is regulated by its respective state public utility commission. All interstate
16 electric transmission assets are regulated by the FERC. The Project will also be subject to
17 the regulation of the FERC.

18 Eversource is ranked number 367 on the 2015 Fortune 500 list of largest U.S.
19 companies with an equity market capitalization of approximately \$16 billion.⁸
20 Eversource’s common stock trades on the New York Stock Exchange. Eversource has
21 corporate credit ratings of A, Baa1 and BBB+, with stable outlooks, from S&P, Moody’s,
22 and Fitch, respectively. Eversource is the highest ranked U.S. utility holding company by
23 S&P.

24 **Q. Why is Eversource’s financial strength important to the financial**
25 **capability of PSNH to construct and operate the Project?**

26 A. PSNH initially finances construction projects with internally generated
27 cash and short-term borrowings from Eversource. As short-term debt accumulates, it is

⁶ On February 2, 2015, Northeast Utilities and each of its wholly owned utility subsidiaries commenced doing business as Eversource Energy. Effective April 30, 2015, Northeast Utilities changed its name to Eversource Energy.

⁷ Northeast Utilities 2015 Form 10-K, Selected Consolidated Financial Data, at 27.

⁸ On December 31, 2015, Eversource’s closing price was \$51.07 with 317.2 million shares outstanding.

1 refinanced with long-term debt issued in the capital markets. While PSNH expects that
2 most of its future funding needs will come from a combination of internally generated
3 funds from operations and long-term and short-term debt issuances, PSNH also, from
4 time to time, receives capital contributions from its parent, Eversource. These capital
5 contributions allow PSNH to maintain an appropriate level of common equity to total
6 capitalization, which helps ensure that PSNH will maintain its strong credit ratings that
7 allow ongoing access to the capital markets at favorable rates.

8 **Construction of the Project**

9 **Q. What is the total expected cost of the Project to PSNH?**

10 A. Pending regulatory approvals, the Project would begin construction in
11 2017 and be put in service in 2018. PSNH expects its total investment in the Project to be
12 approximately \$77 million.

13 **Q. What insurance will PSNH carry?**

14 A. PSNH and its construction contractors carry adequate insurance to provide
15 coverage against liability or damage resulting from the construction and/or operation of
16 the Project. Types of insurance and coverage amounts will be comparable to other
17 projects of the same size and character currently operated by PSNH and all other
18 Eversource companies and consistent with “good utility practice.” All premiums and
19 other costs of property, liability or other insurance obtained by PSNH are a cost of
20 service recoverable under rates approved by the FERC.

21 **Operation of the Project**

22 **Q. Please describe PSNH’s sources of capital once the Project is in-**
23 **service.**

24 A. Operations and maintenance costs are not budgeted on a project-level
25 basis, therefore amounts associated with the Project are not available; however, these
26 amounts are not expected to be significant. Nevertheless, PSNH’s sources of funds for
27 these costs include internally generated cash, short-term borrowings from Eversource,
28 long-term debt issued to refinance short-term debt, and capital contributions from the
29 Parent, Eversource.

1 The Project will be regulated by FERC. It has been FERC's policy to permit
2 utilities to establish transmission service rates through a formula.⁹ The formula rate
3 recovers a return on investment plus associated income taxes, depreciation expense,
4 operation and maintenance expenses, administrative and general expenses, municipal tax
5 expense and other expenses associated with the Project. The formula rate calculates costs
6 on a prospective basis and then trues up such projected costs to actual costs in order to
7 permit PSNH to recover the annual revenue requirements associated with the Project.

8 **Decommissioning of the Project**

9 **Q. Please describe the plan to decommission the Project.**

10 A. PSNH does not anticipate the need to decommission the Project. Such
11 lines are typically rebuilt, as needed, and continue in service indefinitely. However, if at
12 some time in the future it is determined that the Project needs to be decommissioned, the
13 Company will begin collecting future decommissioning costs through the FERC-
14 approved transmission tariff.

15 **Conclusion**

16 **Q. In your opinion, does PSNH have the requisite financial capability to**
17 **construct and operate the Project?**

18 A. Yes, PSNH currently has and will continue to have that financial
19 capability. PSNH also has the financial capability to decommission the Project, if
20 necessary.

21 **Q. Does this conclude your testimony?**

22 A. Yes, it does.

⁹ Staff's Guidance on Formula Rate Update, July 17, 2014, www.ferc.gov/industries/electric