

THE STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE SITE EVALUATION COMMITTEE
DOCKET NO. 2016-

PRE-FILED DIRECT TESTIMONY OF WILLIAM FELTS

In Support of Joint Petition of IFM Global Infrastructure Fund and Nautilus Generation, LLC
For Approval of the Transfer of Membership Interests in
Essential Power Newington, LLC

1 **Q. Please state your name, position and business address.**

2 A. My name is William Felts. I am the Executive Vice President – Mergers and
3 Acquisitions and Energy Management of Cogentrix Energy Power Management, LLC (together
4 with its predecessors and its and their subsidiaries, “Cogentrix”). My business address is 9405
5 Arrowpoint Boulevard, Charlotte, North Carolina 28273.

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

7 A. I offer this testimony on the technical and managerial capability of Nautilus
8 Generation, LLC (“Nautilus”), which is designated as the Buyer/Transferee in the Joint Petition
9 of IFM Global Infrastructure Fund (“IFM”) and Nautilus for Approval of the Transfer of
10 Membership Interests in Essential Power Newington, LLC (“EP Newington”).¹ The subject of
11 this Joint Petition is the 525 megawatt (MW) combined-cycle, dual fuel merchant electric
12 generation facility located in Newington, New Hampshire (the “Facility”) owned by EP
13 Newington.

14 My testimony and the other materials included in the Joint Petition demonstrate that
15 Nautilus, together with its affiliates (including Cogentrix), has the requisite technical and
16 managerial capability to operate the Facility in accordance with all conditions of the Facility’s
17 Certificate of Site and Facility (“Certificate”).

18 **Q. Please describe your education and relevant experience in the industry.**

19 A. I have more than thirty years of experience in the electric power generation
20 industry. I joined Cogentrix in 1999 and have held several positions within Cogentrix. In my
21 current role as the Executive Vice President – Mergers and Acquisitions and Energy
22 Management, it is my responsibility to oversee the direction of strategic growth, identifying
23 targeted industries and market sectors that support our growth objectives, and to oversee all
24 mergers and acquisition opportunities, including identifying target opportunities, valuation

¹ Nautilus will acquire such membership interests in EP Newington indirectly through Nautilus’ acquisition of membership interests in Essential Power Investments, LLC. Essential Power Investments, LLC owns the membership interests in EP Newington as shown on the Pre-Transfer Organizational Chart appended to the Joint Petition at Appendix A).

1 analysis, and due diligence. In that capacity, I participated in the identification and analysis of
2 the acquisition of the Essential Power Investments' portfolio and led the due diligence
3 investigation of this portfolio. Prior to my current role, my positions at Cogentrix have included
4 Vice President of Asset Management, Vice President of Development, and, most recently,
5 Executive Vice President of Development.

6 Prior to joining Cogentrix, I held various positions at Indeck Energy Services, LLC, an
7 independent power producer headquartered in Buffalo Grove, Illinois and Commonwealth
8 Edison Company (an Exelon Company), an investor-owned utility. I served in various roles at
9 Indeck including business development, finance, fuels and engineering. I began my career at
10 Commonwealth Edison Company serving in the engineering, fuels, and maintenance
11 departments at Waukegan Station 16, an 800 MW coal fired generation facility.

12 I received my B.S. in Mechanical Engineering and M.S. in Mechanical Engineering and
13 Thermal Sciences from the University of Wisconsin-Madison. My résumé is appended to this
14 testimony as Attachment 1.

15 **Q. You have said you are employed by Cogentrix. Please describe that company**
16 **as well as any other entities that would be helpful in understanding Cogentrix.**

17 A. As discussed in the Joint Petition, Cogentrix is owned by a group of funds and
18 investment affiliates commonly referred to as Carlyle Power Partners (collectively, "CPP").

19 Cogentrix serves as CPP's in-house management team for engineering, operations and
20 asset management of its power generation assets. Cogentrix was acquired by CPP in 2012. Since
21 its founding in 1983, Cogentrix has been involved in the development, ownership, operation and
22 management of power generation facilities with a combined generating capacity of over 10
23 gigawatts. Our engineering and operational experience extends across a broad range of
24 generation technologies, including: (a) gas- and oil-fired combined cycle, (b) gas-fired simple
25 cycle, (c) coal-fired technologies, including scrubbed pulverized and stoker coal units and
26 circulating fluidized bed and waste coal units, (d) solar technologies, including solar thermal and
27 concentrating photovoltaic and (e) run-of-river hydroelectric generation. Notably, Cogentrix has
28 significant experience operating and managing generation facilities similar to the Facility.

1 **Q. Please describe CPP’s existing fleet of power generation facilities and**
2 **Cogentrix’ role with respect to those facilities.**

3 A. CPP currently owns a North American portfolio of power investments consisting
4 of 17 assets with a total net capacity of approximately 4,080 MW, excluding the proposed
5 acquisition of the membership interests in Essential Power Investments. Below is a summary of
6 CPP’s existing asset portfolio.

Facility(ies)	Location	Acquisition Date	Ownership (%)	Net Owned Capacity (MW)	Fuel Type
Hopewell & Portsmouth (2 facilities)	Virginia	Dec-12	50%	115	Coal
Alamosa	Colorado	Dec-12	100%	30	Solar
CalPeak (4 facilities)	California	Sep-13	100%	198	Gas
Midway	California	Sep-13	100%	122	Gas
Red Oak	New Jersey	Nov-13	100%	823	Gas
Southeast PowerGen (6 facilities)	Georgia	Dec-14	75%	2,113	Gas
Malaga	California	Apr-15	100%	96	Gas
Rhode Island Energy Center	Rhode Island	Dec-15	100%	583	Gas
Total				4,080	

7
8 Other than the Rhode Island State Energy Center facility (“RISEC”), subsidiaries of
9 Cogentrix operate and maintain each of the facilities listed above through operation and
10 maintenance agreements with the entities owning such facilities. Cogentrix, itself, manages such
11 facilities, including day-to-day administration, through asset management agreements with the
12 entities owning such facilities.

13 The existing portfolio includes large combined-cycle assets, namely the Effingham
14 Facility, a 510 MW facility located in Georgia, Red Oak Power, a 823 MW facility in New
15 Jersey, and the RISEC facility, a 583 MW facility in Rhode Island.

16 **Q. Does this portfolio include facilities similar to the EP Newington Facility, and**
17 **does Cogentrix have experience operating such facilities?**

1 A. Yes. During its history, Cogentrix has managed and operated over 7,600 MWs of
2 gas- and oil-fired combined cycle facilities, as shown in the chart below. In addition, Cogentrix
3 has developed, designed, built, managed and/or operated seven gas-fired combined cycle plants
4 utilizing the same combustion turbine technology as the Facility (i.e., General Electric 7FA
5 technology). The chart below shows natural gas, combined cycle facilities that Cogentrix has
6 experience with (totaling over 4,000 MWs), noting with an asterisk each facility that uses the
7 same combustion turbine technology as the Facility.

Cogentrix Combined Cycle O&M Experience			
Facility	Combustion Turbine Technology	Capacity (MW)	GE7FA (MW)
Batesville Cogen	Westinghouse 501FC	835	
Cottage Grove	Westinghouse 501FC	245	
Dominican Republic	Siemens V.64.3A	300	
Masspower	GE 7EA	265	
Selkirk Cogen	GE 7EA	345	
Green Country*	GE 7FA	810	810
Caledonia*	GE 7FA	810	810
Ouachita*	GE 7FA	816	816
Rathdrum*	GE 7FA	270	270
Southaven*	GE 7FA	810	810
Effingham*	GE 7FA	510	510
Whitewater	Westinghouse 501FC	249	
Red Oak	Siemens 501FD2	823	
RISEC	Siemens 501FD2	583	
Total		7,671	4,026

1 Two other facilities in the Essential Power Investments asset portfolio, namely, the OPP and
2 Rock Springs facilities, also employ similar General Electric 7FA technology to the Facility.

3 **Q. Are you familiar with the Facility and the Certificate of Site and Facility**
4 **issued in 2001?**

5 A. Yes. In considering the possible acquisition of the membership interests in
6 Essential Power Investments, CPP and Cogentrix performed extensive due diligence on EP
7 Newington and the Facility. We devoted considerable attention to EP Newington, as the Facility
8 is the largest asset in Essential Power Investments' portfolio. I and other members of the CPP
9 and Cogentrix teams have visited the facility.

10 We have also reviewed the existing Certificate and the other local, state and federal
11 regulatory permits and approvals for the Facility. We understand the conditions incorporated in
12 the Certificate and are fully committed to meeting them.

13 **Q. How does Nautilus intend to manage the operations of the Facility?**

14 A. We intend that day-to-day operations of the Facility will largely remain with the
15 same personnel. The Facility is currently operated by Essential Power Operating Company, LLC
16 ("EPOC") personnel pursuant to an Amended and Restated Operation and Maintenance Services
17 Agreement between EP Newington and EPOC.

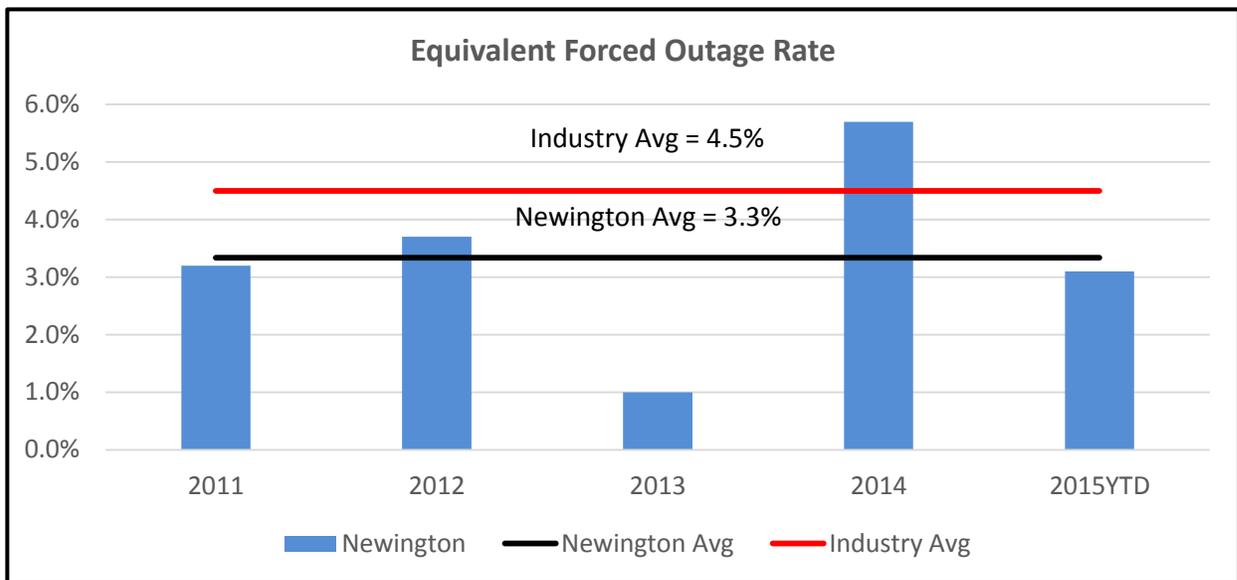
18 There are currently 22 employees of EPOC at the Facility. The plant staff is comprised
19 of 1 facility manager, 1 EHS manager, 1 site administrator, 1 operations manager, 1 plant
20 engineer, 1 maintenance manager, 5 shift supervisors, 5 operators, 3 mechanical specialists and 3
21 instrument and control technicians. The station is manned 24 hours per day. The plant staff has
22 operated and maintained the Facility safely and responsibly in material compliance with all
23 applicable federal, state, and local laws, statutes, regulations, and codes, and in material
24 compliance with the terms and conditions of the Certificate and the ISO-NE tariff. No
25 significant changes to the plant staff are currently anticipated.

26 Also, an affiliate of General Electric provides certain long-term maintenance services
27 (including certain inspection services) for EP Newington's combustion turbine generators and

1 steam turbine generator pursuant to a Contractual Service Agreement between EP Newington
 2 and such affiliate of General Electric.

3 **Q. What is your assessment of how well Essential Power Investments has**
 4 **operated the Facility?**

5 A. The plant staff has produced excellent operating results at the Facility. One good
 6 indicator of the quality of operations of a power plant is a measure of the forced outage rate – or
 7 the amount of power the plant was not able or available to produce as a result of unexpected
 8 failures of equipment. The forced outage rates for the Facility are compared against the industry
 9 average for similar plants in the following chart.



10 **Q. What other resources will be available for EP Newington to draw upon?**

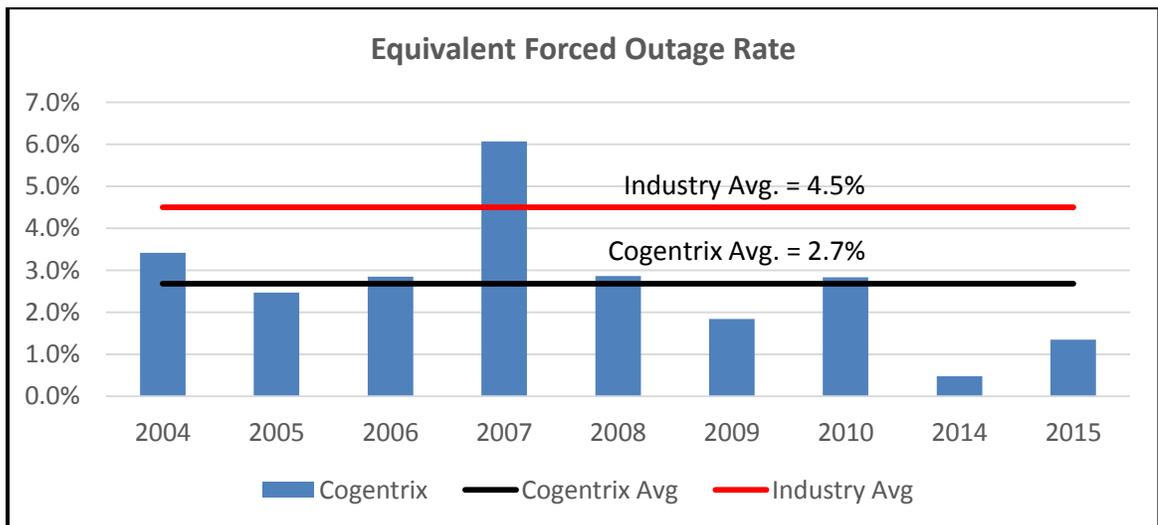
11 A. The Facility’s operating capabilities currently in place will be enhanced, as
 12 Nautilus’s resources become available to the Facility if and when the need for such resources
 13 arises (for instance, through the expertise of CPP or on an as-needed basis through contracts with
 14 Cogentrix). EP Newington will, through its affiliation with Cogentrix, gain immediate access to
 15 the substantial expertise and capabilities of that Cogentrix (on an as-needed basis through
 16 contracts with Cogentrix), plus the benefits of affiliation with CPP’s existing portfolio of assets.

1 These benefits would include access to CPP’s and Cogentrix’ substantial expertise in managing
 2 and operating assets like the Facility, potential savings from scaled purchasing and expanded
 3 relationships with suppliers and vendors, access to a larger inventory of supplies and replacement
 4 equipment across assets, and support and assistance in engineering, financing activities and
 5 power marketing.

6 **Q. Please describe in more detail the facility management and operations**
 7 **capabilities of Cogentrix.**

8 A. Cogentrix is a leading independent power producer with a long track record of
 9 successfully acquiring, developing, constructing, operating, managing and improving
 10 performance of power generation assets. Consistent with its engineering origins and culture,
 11 Cogentrix maintains a disciplined and well-designed approach to asset improvement. The firm’s
 12 ability to enhance value has resulted in achieving superior operating performance from its power
 13 generation assets. It employs close to 300 full-time personnel.

14 Cogentrix has a proven track record of safe and reliable power plant operations and
 15 maintains high standards for employee and contractor safety and environmental performance.
 16 Cogentrix has a principal focus on operations excellence which is demonstrated by the
 17 exceptional forced outage rates it has achieved at its plants. The chart that follows substantiates
 18 such.



1 Cogentrix incorporates preventative maintenance procedures and tracks plant equipment
2 performance through diagnostic programs. This provides early warning of impending failures
3 avoiding potentially costly downtime at critical times for the ISO-NE power grid and promotes
4 optimal performance of the equipment. Cogentrix also has an extensive repair and maintenance
5 services group that provides on-call management and support for planned and unplanned
6 outages. This group can be dispatched within hours of an event at a plant and provides
7 combustion and steam turbine outage maintenance, boiler inspection and repairs, generator
8 inspection and testing and electrical testing. This team minimizes the costs of planned and
9 unplanned outages and reduces downtime exposure.

10 The power generating facilities managed by Cogentrix over its 30 years in the power
11 generation industry have enjoyed a historically strong record of compliance with regulatory
12 requirements.

13 CPP and Cogentrix have succeeded at materially enhancing operations and management
14 of electric generation facilities through environmental improvements, operational enhancements,
15 energy management and asset management. Cogentrix has developed and implemented a set of
16 universal operating practices governing employee safety and health, equipment maintenance and
17 operation, budgeting and reporting, compliance with federal regulatory reporting requirements,
18 environmental compliance and customer and community relations.

19 **Q. Does Nautilus have the technical and managerial capability to assure that the**
20 **Facility is operated in continuing compliance with the terms and conditions of the**
21 **Certificate?**

22 A. Yes -- fully. As demonstrated in the Joint Petition and by my testimony today
23 Nautilus has the technical and managerial capability to assure operation of the Facility in
24 continuing compliance with the terms and conditions of the Certificate. The combined
25 experience, expertise, and proven capability of EP Newington, CPP and Cogentrix place the
26 Facility in excellent position to continue to operate and manage in compliance with the
27 Certificate.

28

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

2 A. Yes, and I would like to thank the Committee for its careful consideration of the
3 Joint Petition.