

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

**PRE-FILED DIRECT TESTIMONY OF MATTHEW O'CONNOR**

**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 Matthew O'Connor. I am a Managing Director and Partner at The  
3     Carlyle Group L.P. (collectively with its affiliates, "Carlyle"). I am also co-head of Carlyle's  
4     power generation investment strategy that includes a group of funds and investment affiliates  
5     commonly referred to as Carlyle Power Partners (collectively, "CPP"). My business address is  
6     520 Madison Avenue, New York, NY 10022.

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

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

14          My testimony and the other materials included in the Joint Petition demonstrate that  
15    Nautilus, together with its affiliates (including CPP II, as defined and described below), has the  
16    requisite financial capability to operate the Facility in accordance with all the conditions of the  
17    Facility's Certificate of Site and Facility ("Certificate").

18          **Q.     Please describe Carlyle, CPP and other relevant entities to this transaction.**

19          A.     Carlyle was founded in 1987 and, as of December 31, 2015, holds \$183 billion in  
20    assets across 126 funds. Carlyle has 36 offices across six continents and serves over 1,700  
21    investors from 78 countries.

22          CPP is Carlyle's power generation investment strategy that includes a group of funds and  
23    investment affiliates. CPP was established to raise capital to invest in power generation facilities  
24    and related assets in North America. The CPP entities that are proposed to own Nautilus as a  
25    result of the transfer of membership interests in Essential Power Investments to Nautilus will

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<sup>1</sup> 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 include Carlyle Power Partners II, L.P. as well as certain other affiliates (collectively, "CPP II").  
2 CPP has 10 dedicated investment professionals to actively manage its investment and portfolio  
3 management activities.

4 Carlyle Power Partners II, L.P. is a private equity fund focused on investing in power  
5 generation assets in North America. CPP II raises its capital from various institutional investors  
6 both in the US and globally. CPP II represents the second dedicated Carlyle power investment  
7 fund since December 2012.

8 **Q. Please describe your relevant work experience and background.**

9 A. I have been employed by Carlyle as a Managing Director since 2013, and I have  
10 also served as co-head of CPP since 2013. In my current capacity, I am responsible for (i)  
11 management of the CPP team; (ii) oversight of the acquisition and divestiture activities that CPP  
12 pursues; and (iii) strategic management of CPP's portfolio of power assets, including oversight  
13 in risk and asset management.

14 I have been directly involved in the negotiations for the purchase of Essential Power  
15 Investments, LLC ("Essential Power Investments"), which includes the indirect transfer of the  
16 membership interests in Essential Power Investments' subsidiary EP Newington. In addition, I  
17 recently led the December 2015 acquisition by CPP of the Rhode Island State Energy Center  
18 ("RISEC") in Johnston, Rhode Island, as well as the December 2014 acquisition of the Southeast  
19 PowerGen, LLC portfolio (which consisted of six assets located in Georgia), among others.

20 From 1999 to 2013, I held a number of positions at General Electric Company and its  
21 subsidiaries (collectively, "GE") in various capacities of increasing responsibility. Starting as a  
22 Senior Financial Analyst at GE Capital, I was responsible for analysis on capital efficiency for  
23 GE. As Manager, Financial Planning & Analysis, I led financial and strategic planning  
24 processes for asset business and was responsible for creating all financial forecasts and reporting  
25 packages. As General Manager, Trade Finance, I built a business plan and launched a successful  
26 start-up business to monetize inefficiencies in GE Capital's global supply chain. In my capacity  
27 as Managing Director, Investor Relations at GE Company, I led global fundraising efforts for GE  
28 Capital corporate debt, and raised over \$250 billion. I supported the company's senior

1 management by crafting external messages and presentations on GE Capital's financial  
2 performance. As Managing Director at GE Energy Financial Services, I led a team of over 40  
3 energy professionals in asset sales, capital markets, investment strategy, and lending for energy  
4 assets. In my role as Executive Vice President, Financing Operations at GE Capital Aviation  
5 Services, I led a team of 40 professionals in executing asset sales, and lending related to  
6 commercial aircraft and airline customers.

7 I have a Bachelor of Business Administration from the University of Notre Dame. I  
8 subsequently received a Master's in Business Administration from Columbia University.

9 My resume is appended to this testimony as Attachment 1.

10 **Q. Would you briefly describe the proposed transaction?**

11 A. As a starting point, I refer you to the Pre-Transfer Organizational Chart appended  
12 to the Joint Petition at Appendix A. IFM currently owns 100% of the membership interests in  
13 Essential Power Investments. IFM and Nautilus have entered into a Purchase and Sale  
14 Agreement dated as of February 1, 2016, under which IFM will sell all membership interests in  
15 Essential Power Investments to Nautilus (the "Transaction"). Nautilus was formed as a Delaware  
16 limited liability company on January 28, 2016 to be the acquisition entity for CPP II's purchase  
17 of the membership interests. At the time of IFM's transfer of membership interests in Essential  
18 Power Investments to Nautilus, Nautilus will be owned by CPP II. The Post-Transfer  
19 Organizational Chart, which is attached to the Joint Petition at Appendix B, depicts the corporate  
20 structure of Essential Power Investments after the Transaction.

21 **Q. What are the Joint Petitioners seeking in this proceeding?**

22 A. The Joint Petitioners are seeking approval of the indirect transfer of the  
23 membership interests in EP Newington, the owner of the Facility and holder of the Certificate of  
24 Site and Facility issued by the NH Site Evaluation Committee in 2001. We are not asking to  
25 transfer the Certificate to a new company.

26 **Q. Please address Nautilus's financial capability to operate the Facility**  
27 **consistent with the terms and condition of the Certificate, once it acquires the membership**  
28 **interests in EP Newington.**

1           A.       In acquiring the membership interests in Essential Power Investments (and  
2 consequently the membership interests in EP Newington), Nautilus will own a portfolio of power  
3 generating assets with a total net nominal capacity of 1,742 MW. EP Newington represents  
4 almost one third of the total capacity of Essential Power Investments' asset portfolio, and it is a  
5 key asset to the overall acquisition. Approximately 96% (measured on a MW-basis) of Essential  
6 Power Investments' asset portfolio is gas fired with approximately 54% (measured on a MW-  
7 basis) of its asset portfolio having dual fuel capabilities (as is the case with the Facility). The  
8 Facility is well positioned to benefit from ISO-NE's "Pay for Performance" opportunities (ISO-  
9 NE's forward capacity auction market) as well as further coal retirements, carbon regulation and  
10 demand growth. We have thoroughly analyzed the EP Newington's performance, and we are  
11 fully confident in its capability to meet all of its financial obligations.

12           **Q.       Please explain how EP Newington will meet its financial commitments after**  
13 **the consummation of the Transaction.**

14           As part of the Transaction, Nautilus will also acquire Essential Power Investments'  
15 ability to access capital to operate and maintain its generation facilities. A subsidiary of  
16 Essential Power Investments currently has a debt facility in place, and EP Newington is a party  
17 to this debt facility. This debt facility contains working capital lines of credit and letter of credit  
18 facilities that will be available for use in order to provide additional financial resources to  
19 operate and maintain Essential Power Investments' power generation facilities, including the  
20 Facility. In connection with the transfer of membership interests in Essential Power Investments  
21 to Nautilus, the intention is to keep this debt facility in place. The terms are relatively standard  
22 in the industry with a 1% mandatory amortization but an obligation to use cash flow after  
23 operating and maintenance expenses for additional debt paydown. There will be no material  
24 changes to the structure, terms or obligations of Essential Power or its subsidiaries currently  
25 associated with this debt facility. Based on our analysis, I believe that EP Newington has ample  
26 liquidity to continue to meet its operating expenses and its debt service, and that in time will  
27 provide a strong return on equity for our investors.

28           **Q.       How will CPP add to the financial capability of EP Newington?**

A. CPP has substantial financial expertise and financial capabilities to support EP Newington. The CPP personnel hail from many established names in energy finance and enjoy strong relationships with the lending community and other stakeholders. Our careers span credit and commodity cycles, so that we have the wherewithal and patience to address the impact of market shifts on a given investment.

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

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

The equity capital necessary to complete the purchase of membership interests in Essential Power Investments is expected to be provided by CPP II. To support its investment activity, CPP II has received commitments from institutional and personal investors, including pension funds, sovereign wealth funds, insurance companies, asset managers, endowments, and

1 Carlyle employees including myself. CPP II is sufficiently capitalized to finance the  
2 contemplated transaction, with over \$1.1 billion in committed capital as of December 31, 2015  
3 and an expected total of \$1.5 billion by April 2016. CPP II will have more than sufficient capital  
4 to operate the Facility effectively and productively, and we are motivated to ensure that EP  
5 Newington, a core asset to this investment, performs.

6 **Q. In your opinion, does Nautilus have the requisite financial capability to own**  
7 **and operate the Facility?**

8 A. Yes, very much so. Given the excellent track record of CPP in investing in power  
9 generation facilities around the country and here in New England, the existing Essential Power  
10 Investments' debt facility and the proven operations record of EP Newington and Cogentrix, I  
11 am fully confident that Nautilus has the financial capability to own and operate the Facility.

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

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