

THE STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 22-XXX

DIRECT TESTIMONY
OF
EMILIE G. O'NEIL
AND
MICHAEL J. DZIALO

PETITION OF
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE
ENERGY FOR APPROVAL OF FINANCING

August 24, 2022

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. [Witness O'Neil] My name is Emilie G. O'Neil. My business address is 247 Station
4 Drive, Westwood, Massachusetts.

5

6 [Witness Dzialo] My name is Michael J. Dzialo. My business address is 107 Selden
7 Street, Berlin, Connecticut.

8

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

10 A. [Witness O'Neil] I am the Assistant Treasurer, Corporate Finance and Cash
11 Management for Eversource Energy Service Company ("EES"), which is an affiliated
12 service company of Eversource Energy and its subsidiaries, including Public Service
13 Company of New Hampshire dba Eversource Energy ("PSNH" or the "Company"). I
14 hold the same position for PSNH.

15

16 [Witness Dzialo] I am a Senior Analyst in the Corporate Finance and Cash Management
17 group for EES.

18

19 **Q. What are your responsibilities with respect to PSNH?**

20 A. [Witness O'Neil] My primary responsibilities include cash management, development
21 and implementation of long-term financing plans, lease financings, capital structure and
22 credit management.

1 [Witness Dzialo] My primary responsibilities include supporting the development and
2 implementation of long-term financing plans.
3

4 **Q. Please summarize your educational backgrounds.**

5 A. [Witness O'Neil] In May 1986, I earned a Master of Business Administration with a
6 concentration in Accounting and Finance from Cornell University. In May 1982, I
7 earned a Bachelor's degree in Economics from the Barnard College of Columbia
8 University.
9

10 [Witness Dzialo] In December 2007, I earned a Master's degree in Finance from Bentley
11 University. In May 2006, I earned a Bachelor's degree in Finance from Bentley
12 University.
13

14 **Q. Have you previously testified in any regulatory proceedings?**

15 A. [Witness O'Neil] Yes. I have testified in thirty-two previous financing-related
16 regulatory proceedings including the dockets listed below before the New Hampshire
17 Public Utilities Commission (the "Commission"):
18 Public Service Company of New Hampshire, DE 21-060 (Petition For Approval of
19 Financing Transaction); Public Service Company of New Hampshire, DE 20-072
20 (Petition For Approval of Financing Transaction); Public Service Company of New
21 Hampshire, DE 19-045 (Petition For Approval of Financing Transaction); Public
22 Service Company of New Hampshire, DE 17-096 (Petition for Finding of Fact and
23 Issuance of Financial Order); Public Service Company of New Hampshire, DE 14-238

(Determination Regarding PSNH's Generation Assets) and Public Service Company of New Hampshire, DE 13-156 (Petition for Approval of Financing Transactions).

[Witness Dzialo] Yes. I have testified in six previous financing-related regulatory proceedings including the dockets listed below before the Commission:

Public Service Company of New Hampshire, DE 21-060 (Petition For Approval of Financing Transaction); Public Service Company of New Hampshire, DE 20-072 (Petition For Approval of Financing Transaction) and Public Service Company of New Hampshire, DE 19-045 (Petition For Approval of Financing Transaction).

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of our testimony is to explain PSNH's Petition to issue long-term debt securities in an aggregate principal amount not to exceed \$600 million (the "Long-Term Debt") during a period from the date of the Commission's order in this docket through December 31, 2023 (the "Authorization Period").

III. DESCRIPTION OF PROPOSED FINANCING

Q. Would you please briefly summarize PSNH's financing proposal?

A. During the Authorization Period, PSNH proposes to issue and sell up to \$600 million in aggregate principal amount of Long-Term Debt in the form of first mortgage bonds, in one or more series, with a maturity ranging from one to 30 years. The exact amount,

1 maturity, terms and conditions, redemption provisions and coupon rate will be
2 determined at the time of pricing depending on prevailing market conditions.
3

4 **Q. PSNH requests the authority to issue up to \$600 million of Long-Term Debt during**
5 **the Authorization Period to satisfy its projected financing needs. Could you please**
6 **describe how this amount was determined?**

7 A. The Company's Long-Term Debt requirements are comprised primarily of capital
8 expenditures and repayments of short-term and long-term debt as listed below:

- 9 • 2023 capital expenditures are forecasted to be approximately \$508 million.
- 10 • The Company's \$325 million 3.50% First Mortgage Bonds, Series S, will mature
11 on November 1, 2023.
- 12 • At June 30, 2022, the Company's short-term debt balance was \$89.2 million.

13

14 **Q. What parameters does PSNH propose for the issuance of Long-Term Debt?**

15 A. PSNH proposes the following parameters for such issuance:

- 16 1) Aggregate principal amount of Long-Term Debt issued during the Authorization
17 Period not to exceed \$600 million.
- 18 2) The Long-Term Debt will be in the form of secured first mortgage bonds.
- 19 3) The Long-Term debt will be distributed in the public market.
- 20 4) Debt maturity will range from 1 to 30 years.
- 21 5) Coupon rate to be consistent with market rates for an instrument of similar maturity
22 and risk at the time of issuance, with conditions that the credit spread above a fixed

1 rate benchmark (i.e., applicable Treasury Bond) not to exceed 400 basis points (4.00
2 percent).

3

4 **Q. Please discuss the use of proceeds of the proposed Long-Term Debt.**

5 A. The proceeds of the issuance of up to \$600 million in Long-Term Debt will be used to:
6 (a) refinance outstanding short-term debt; (b) finance the Company's distribution and
7 transmission businesses capital expenditures; (c) pay at maturity the Company's \$325
8 million 3.50% First Mortgage Bonds, Series S, due November 1, 2023 and (d) fund
9 working capital needs.

10

11 **Q. What is the estimated coupon rate for an issuance of secured Long-Term Debt**
12 **given current market conditions?**

13 A. The following table reflects current indicative pricing of secured public debt as of
14 August 1, 2022.

Secured Institutional Debt	10-year	30-year
U.S. Treasury Yield	2.60%	2.92%
+ Credit Spread	1.20%	1.45%
= Coupon Rate	3.80%	4.37%

15

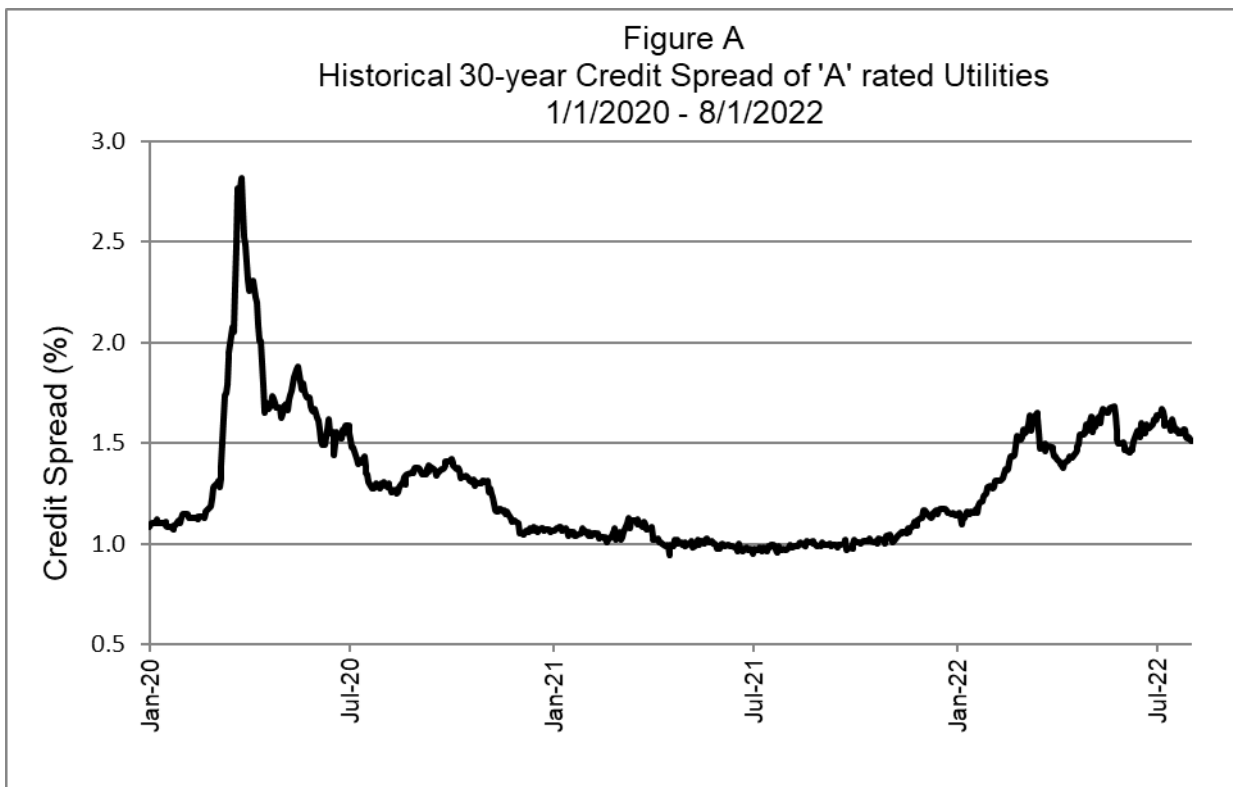
(Source: Barclays)

16

17 **Q. Why is PSNH requesting credit spread authority of up to 400 basis points (4.00%)?**

18 A. In determining the requested credit spread of 400 basis points, the Company considered
19 current market rates for similarly rated securities as well as historical rates. Given that
20 the Company is proposing a financing plan through December 31, 2023, the plan must

1 include sufficient flexibility to address changing market conditions and volatile markets.
 2 The graph in Figure A below, which shows the historical 30-year credit spread of “A”
 3 rated utilities from January 1, 2020 through August 1, 2022, illustrates the volatility of
 4 credit spreads. The effect that the COVID-19 pandemic initially had on the financial
 5 markets was dramatic. During just the short period between February 24, 2020 and
 6 March 24, 2020, the credit spread for “A” rated utility bonds increased 164 basis points,
 7 from 1.18% to 2.82%.



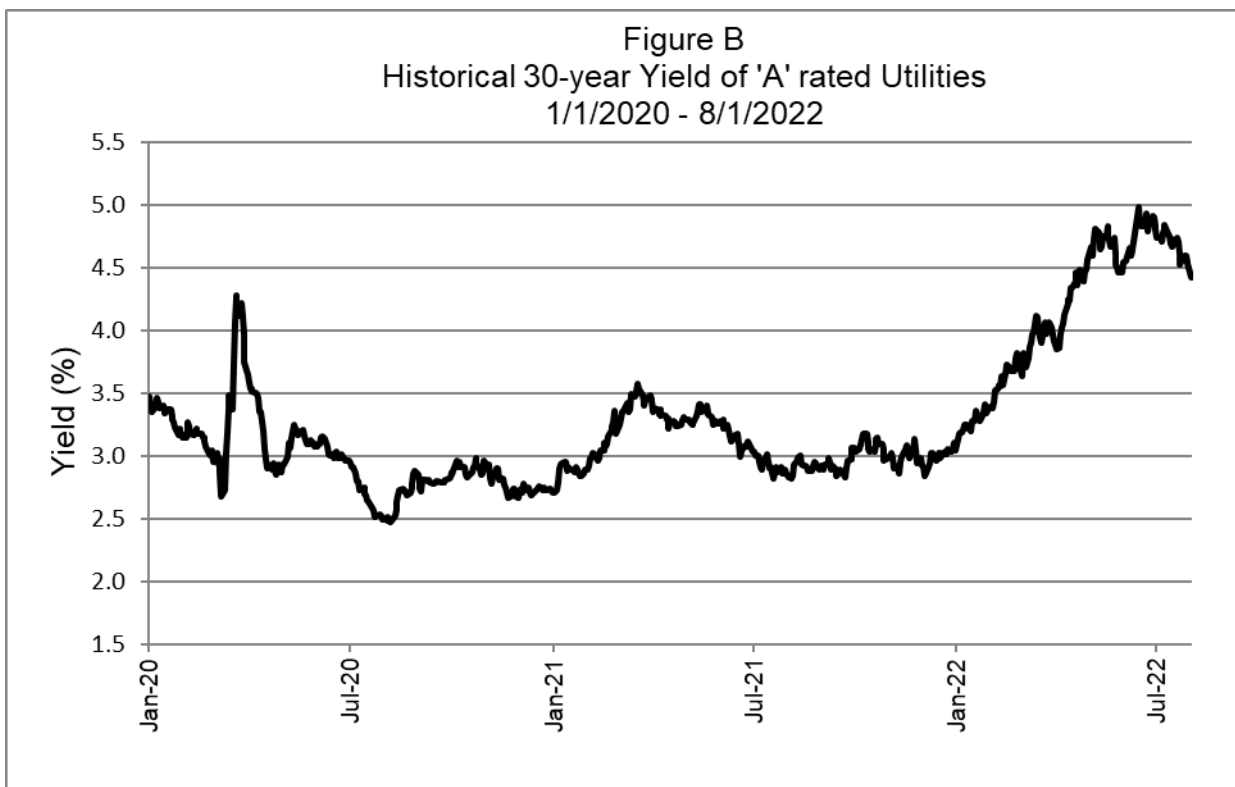
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 9 (Source: Bloomberg)

10 A maximum authorized credit spread of 400 basis points (4.00%) will provide PSNH
 11 with flexibility in the event of unanticipated widening of credit spreads between now
 12 and the time of issuance due to any uncertainty or volatility in the capital markets.
 13 However, the Long-Term Debt will be issued at prevailing credit spreads, which are

determined by investors at the time of pricing.

Q. Please describe the bond yields for similarly rated utilities?

A. The graph in Figure B below illustrates historic 30-year yields from January 1, 2020 through August 1, 2022 for “A’ rated utilities. Over that time frame yields for “A” rated utilities have fluctuated between 2.47 percent and 4.98 percent.



(Source: Bloomberg)

Q. Will PSNH’s capitalization be impacted by the issuance of the Long-Term Debt?

A. No. PSNH’s regulatory five-quarter average equity ratio, as of June 30, 2022, was approximately 56%. PSNH expects to maintain a similar regulatory equity ratio during 2023.

1 **Q. Will PSNH's funds from operations ("FFO") to debt ratio be impacted by the**
2 **issuance of the Long-Term Debt?**

3 PSNH's FFO to debt ratio, as of December 31, 2021, was 22.3%. PSNH forecasts the
4 ratio to be approximately 21.4% percent as of December 31, 2023. PSNH doesn't
5 expect the Long-Term Debt being requested in this petition or the corresponding change
6 in its FFO to debt ratio to impact its credit ratings.

7
8 **Q. What are PSNH's current credit ratings?**

9 A. PSNH's senior secured debt is currently rated "A+" by S&P Global Ratings, "A1" by
10 Moody's Investors Service and "A+" by Fitch Ratings.

11
12 **Q. Does PSNH anticipate any early redemption provisions on the proposed debt?**

13 A. The Company will determine at the time of pricing the most appropriate early
14 redemption provisions based primarily on market conditions.

15
16 **Q. Please describe PSNH's debt maturity profile as of June 30, 2022.**

17 A. The table below details the principal amount of long-term debt outstanding and maturity
18 date of each series of debt as of June 30, 2022:

First Mortgage Bond Series	Amount Outstanding	Maturity Date
2005 Series M	\$50,000,000	10/5/2035
2013 Series S	\$325,000,000	11/1/2023
2019 Series T	\$300,000,000	7/1/2049
2020 Series U	\$150,000,000	9/1/2050
2021 Series V	\$350,000,000	6/15/2031
Total Long-term Debt	\$1,175,000,000	

1 **Q. What are the fees associated with the issuance of the proposed Long-Term Debt?**

2 A. The following table lists the estimated fees associated with the Company's most likely
3 financing structure in today's market environment, which would be \$600 million of 30-
4 year first mortgage bonds issued to institutional investors in the public market in two
5 series.

Fee	Amount
Underwriting Fee ¹	5,250,000
Rating Agencies	1,278,000
Legal	210,000
Miscellaneous ²	382,000
Total	\$ 7,120,000

1. Underwriting fees are based on an anticipated 0.875% commission for a 30-year debt issuance.

2. Includes estimated fees for registering the proposed debt with the Securities and Exchange Commission, printing, external auditors and up-front trustee acceptance fees.

3. Total fees are based on the issuance of two series, but may increase or decrease based on the actual
6 number of series issued, the maturity of each series and market conditions at the time of issuance.

7

8 **IV. MORTGAGING OF PROPERTY**

9 **Q. Is PSNH seeking the authority to mortgage its property?**

10 A. Yes. PSNH is seeking the authority to mortgage its property in connection with the
11 issuance of secured Long-Term Debt being requested in this petition.

12

13 **V. CONCLUSION**

14 **Q. Do you believe the proposed issuance of up to \$600 million of Long-Term Debt and**
15 **the mortgaging of property to be just and reasonable and in the public good?**

16 A. Yes. PSNH believes and, therefore, alleges that the securities to be issued will be just
17 and reasonable and consistent with the public good and that the Company is entitled to

1 issue said securities under RSA 369 for the purposes set forth herein and in its petition.

2 We further attest to the accuracy of the information set forth in the petition.

3

4 **Q. When does PSNH need the Commission's approval for this financing proposal?**

5 A. PSNH respectfully requests that the Commission issue an Order *Nisi* approving the
6 financing proposal as soon as possible but by no later than November 15, 2022, so that
7 the order may become final by December 15, 2022. This will enable the Company to
8 access the market in mid-December if the Company's short-term debt balances are
9 approaching the Company's Board of Directors limit of \$300 million.

10

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

12 A. Yes, it does.