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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

January 22, 2008 - 11:10 a.m.  
Concord, New Hampshire

RE: DE 07-070  
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE:  
Petition for Approval of the Issuance of  
Long Term Debt Securities. (Hearing  
regarding Motion to Amend Finance Order)

PRESENT: Chairman Thomas B. Getz, Presiding  
Commissioner Graham J. Morrison  
Commissioner Clifton C. Below

Connie Fillion, Clerk

APPEARANCES: Reptg. Public Service Co. of New Hampshire:  
Catherine E. Shively, Esq.

Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.

Court Reporter: Steven E. Patnaude, LCR No. 52

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1 P R O C E E D I N G S

2 CHAIRMAN GETZ: Okay. Good morning.

3 We'll open the hearing in docket DE 07-070. On  
4 December 13, 2007, Public Service Company of New Hampshire  
5 filed a motion to amend the finance order issued in docket  
6 DE 07-070 on August 3, 2007. In that order, the  
7 Commission authorized issuance of up to \$200 million  
8 aggregate principal amount of long-term debt securities  
9 through December 31, 2008 for the purposes of repayment of  
10 short-term debt and funding working capital needs. In the  
11 current petition, PSNH seeks to increase the authorized  
12 credit spread over treasury rates approved in that order.  
13 A supplemental order of notice was issued on December 28  
14 setting the hearing for today.

15 Can we take appearances please.

16 MS. SHIVELY: Good morning,  
17 Commissioners. Catherine Shively, for Public Service  
18 Company of New Hampshire.

19 CMSR. BELOW: Good morning.

20 CHAIRMAN GETZ: Good morning.

21 CMSR. MORRISON: Good morning.

22 MS. SHIVELY: Good morning. Suzanne  
23 Amidon, for Commission Staff, and with me today is Steve  
24 Mullen, who is an Analyst in the Electric Division.

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[WITNESS: COSGEL]

1 CMSR. BELOW: Good morning.

2 CMSR. MORRISON: Good morning.

3 CHAIRMAN GETZ: Good morning. Is there  
4 anything we need to address before we hear from Ms.  
5 Cosgel?

6 MS. SHIVELY: I don't think so.

7 MS. AMIDON: No.

8 CHAIRMAN GETZ: Then, please proceed,  
9 Ms. Shively.

10 (Whereupon Patricia C. Cosgel was duly  
11 sworn and cautioned by the Court  
12 Reporter.)

13 PATRICIA C. COSGEL, SWORN

14 DIRECT EXAMINATION

15 BY MS. SHIVELY:

16 Q. Would you please state your name for the record.

17 A. It's Patricia Cosgel, C-o-s-g-e-l.

18 Q. And, by whom are you employed?

19 A. Northeast Utilities Service Company.

20 Q. And, what is your position?

21 A. Assistant Treasurer - Finance.

22 Q. And, what are your duties in that position?

23 A. My duties are to raise the funds necessary to support  
24 the businesses of our subsidiaries and the parent

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1 company.

2 Q. And, have you previously submitted testimony to this  
3 Commission?

4 A. Yes, I have.

5 Q. And, are you the witness that's supporting Public  
6 Service Company of New Hampshire's motion today?

7 A. Yes, I am.

8 Q. And, did you prefile testimony?

9 A. Yes.

10 MS. SHIVELY: I'd like to mark for  
11 identification the Public Service Company motion and the  
12 prefiled testimony, and I think this will be Exhibit 11,  
13 as we're continuing in the prior docket. It was filed on  
14 December 13th, 2007.

15 CHAIRMAN GETZ: Okay. So marked.

16 (The document, as described, was  
17 herewith marked as Exhibit 11 for  
18 identification.)

19 MS. SHIVELY: I guess I'd also like at  
20 this time to mark for identification as "Exhibit 12"  
21 Public Service Company of New Hampshire's responses to the  
22 Staff data requests.

23 CHAIRMAN GETZ: They will be so marked.

24 (The document, as described, was

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1 herewith marked as Exhibit 12 for  
2 identification.)

3 CHAIRMAN GETZ: Are there copies  
4 available?

5 MS. SHIVELY: Yes.

6 (Documents distributed by Atty.  
7 Shively.)

8 BY MS. SHIVELY:

9 Q. Would you please summarize your supplemental testimony  
10 for the Commission.

11 A. Yes. In the supplemental testimony, we explain that in  
12 the last six months, since August of 2007, there has  
13 been a lot of turmoil in the capital markets driven by  
14 the sub-prime lending crisis, which has caused a sharp  
15 repricing of credit risk, resulting in higher credit  
16 spreads. Not just for PSNH, but for all companies in  
17 the capital markets as a whole. As a result of that,  
18 we've been getting spread indications that are much  
19 higher than when we were here in July of last year.  
20 And, there's a lot of -- since there is a lot of  
21 volatility continuing in the credit markets and capital  
22 markets, we are concerned that that could continue to  
23 rise. And, we also wanted to make the request that we  
24 expand that authorization from 200 basis point credit

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[WITNESS: COSGEL]

1 spread to 300 basis point credit spread.

2 Q. Okay. And, did you provide information regarding the  
3 credit spreads in response to Staff Data Requests 1 and  
4 2?

5 A. Yes.

6 Q. Okay. And, could you just review for the Commission  
7 the authorization that PSNH has already used with  
8 respect to the financing?

9 A. Yes. Out of the 200 million authorization, PSNH issued  
10 \$70 million of 10-year bonds in September of 2007.

11 Q. And, what was the coupon rate for those bonds?

12 A. That was a 6.15 percent coupon.

13 Q. Okay. And, what is the face amount of the bond that  
14 PSNH intends to issue in 2008?

15 A. Right now, we anticipate issuing up to 130 million.  
16 But right now we would estimate that will probably be  
17 closer to 110 million.

18 Q. Okay. And, did you provide information regarding the  
19 issuance in response to Staff Data Request 3?

20 A. Yes.

21 Q. Do you have any plans to issue additional bonds with  
22 the remaining authorization in 2008?

23 A. What really -- The amount depends on when we issue the  
24 bonds. Right now, we're expecting to be able to issue

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1 in March of 2008, and our best estimates are that we'll  
2 issue 110 million. If the markets are extremely  
3 volatile, there are other events that would preclude us  
4 from being able to execute, and that has happened  
5 several times to other issuers over the last six  
6 months, or if we think that we can't execute at a  
7 reasonable price, and we might delay the issuance.  
8 Other reasons for delay could be that the Company does  
9 not need the funds as earlier as we have budgeted or  
10 anticipated, whether it's because there's a slowdown in  
11 capital expenditures, etcetera. If we delay, it's  
12 possible that our short-term debt balances would build  
13 and we might need to issue up to the 130.

14 Q. Okay. And, is the Company seeking the increased spread  
15 -- is the Company seeking the increased credit spread  
16 limit through December of 2008 or just for the March  
17 issuance?

18 A. We're asking for the increase through December of 2008,  
19 and that is for the whole authorization period, just to  
20 -- we want to cover the fact that we might delay this  
21 issuance, so it might not be in March, and credit  
22 spreads, you know, could continue to be volatile and to  
23 increase. It's possible that, you know, even if we do  
24 issue in March, we're leaving the flexibility to be

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1           able to, you know, take a long-term draw on our  
2           revolving credit facility for the remaining amount, if  
3           the Company has a major storm or something like that  
4           and we're close to our short-term debt limits.

5                       MS. SHIVELY: Okay. I have no further  
6           direct.

7                       CHAIRMAN GETZ: Thank you. Ms. Amidon.

8                       MS. AMIDON: One moment please.

9                       (Short pause.)

10                      MS. AMIDON: Thank you. Good morning.

11                      WITNESS COSGEL: Morning.

12                      CROSS-EXAMINATION

13 BY MS. AMIDON:

14 Q.   Exhibit 12, in Data Request 1 and 2, does this contain  
15       the information relative to the changes in the credit  
16       spreads for 5, 10, and 30-year bonds since the filing  
17       of your testimony on December 13th?

18 A.   It does, up through the -- the credit spreads are up  
19       through the 7th, which is the date that we got the --  
20       and filed these, ready for the filing. Since then, we  
21       get indications about every two weeks. They've widened  
22       about five basis points since then.

23 Q.   Okay. What has happened to the all-in rate of the  
24       varying maturity debt instruments over that period of

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1 time?

2 A. Since last year, in July, while credit spreads have  
3 widened, Treasury rates have fallen dramatically. And,  
4 that's all, again, related to the sub-prime lending  
5 crisis and investors seeking the security of Treasury  
6 Bonds, which drives up their price, and that means that  
7 the interest rate falls on those bonds. So, Treasury  
8 rates have dropped and credit spreads have widened.

9 Q. Okay. This probably goes without saying, but is it  
10 correct to say that, although you're seeking  
11 authorization for credit spreads up to 300 basis  
12 points, that this is just an upper limit, and that you  
13 would pursue the best deal available?

14 A. Oh, yes. That's correct.

15 Q. Okay. And, finally, what do you see as the potential  
16 impacts of the Federal Reserve action lowering the  
17 Federal funds rate and its discount rate by  
18 three-quarters of a point this morning?

19 A. I think immediately there's a lot of concern that the  
20 Fed is signaling that there is a recession or they're  
21 giving a strong indication that there's a recession.  
22 And, the immediate impact is there is a lot of  
23 volatility right now. There won't likely be any large  
24 or any deals in the market for the next couple of days,

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1 as we -- the market sees what the ultimate or considers  
2 what the ultimate impact of that will be. Overall,  
3 there's -- the general concern about recession has  
4 heightened the volatility in the market. That probably  
5 overall will continue for the next couple of months.  
6 There could be further spread widening because of that.  
7 Some of our banks have said this morning that immediate  
8 impact has been a 5 to 10 basis point widening of  
9 spreads. But sometimes that corrects a little bit in  
10 the next couple of days. But, overall, yields are --  
11 coupons are roughly the same as they were a week ago  
12 for now, because Treasuries have dropped as well in  
13 response to the Fed cut.

14 MS. AMIDON: Thank you. That finishes  
15 it for us.

16 CHAIRMAN GETZ: Redirect, Ms. Shively?

17 MS. SHIVELY: I have no redirect.

18 CHAIRMAN GETZ: Then, that completes the  
19 examination. You're excused. Thank you, Ms. Cosgel.

20 WITNESS COSGEL: Thank you.

21 CHAIRMAN GETZ: Ms. Amidon, is there any  
22 direct from Staff?

23 MS. AMIDON: No.

24 CHAIRMAN GETZ: Is there any objection

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1 to striking the identifications and admitting the exhibits  
2 into evidence?

3 MS. AMIDON: No.

4 CHAIRMAN GETZ: Hearing no objection,  
5 they will be admitted into evidence. Is there anything  
6 else, before we provide an opportunity for closing?

7 (No verbal response)

8 CHAIRMAN GETZ: Hearing nothing,  
9 Ms. Amidon.

10 MS. AMIDON: Thank you. Staff has  
11 investigated this request to amend the initial order by  
12 increasing the credit spread basis points. And, based on  
13 our review and on the Company's response, we think it's  
14 appropriate, and recommend that the Commission approve the  
15 Motion to Amend.

16 CHAIRMAN GETZ: Thank you. Ms. Shively.

17 MS. SHIVELY: As Ms. Cosgel indicated,  
18 we're seeking the increase in credit spreads to allow us  
19 continuing flexibility in the market in response to the  
20 unsettled and volatile market conditions. And, we would  
21 hope the Commission would grant that request.

22 CHAIRMAN GETZ: Do I understand  
23 correctly you're hoping for a written order by the end of  
24 the month, is that accurate?

1 MS. SHIVELY: Yes.

2 CHAIRMAN GETZ: Okay. All right. Is  
3 there anything else this morning?

4 (No verbal response)

5 CHAIRMAN GETZ: Then, hearing nothing,  
6 we will close the hearing and take the matter under  
7 advisement. Thank you.

8 (Whereupon the hearing ended at 11:23  
9 a.m.)

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