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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

September 13, 2010 - 10:07 a.m.  
Concord, New Hampshire

NHPUC SEP29'10 AM 9:39

RE: DE 10-122  
PUBLIC SERVICE CO. OF NEW HAMPSHIRE:  
Petition for Approval of Issuance of  
Long and Short-Term Debt.

PRESENT: Chairman Thomas B. Getz, Presiding  
Commissioner Clifton C. Below  
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

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

Reptg. Residential Ratepayers:  
Meredith Hatfield, Esq., Consumer Advocate  
Kenneth E. Traum, Asst. Consumer Advocate  
Office of Consumer Advocate

Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.  
Thomas C. Frantz, Director/Electric Div.  
Steven E. Mullen, Asst. Dir./Electric Div.  
Grant Siwinski, Electric Division

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

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## P R O C E E D I N G

1  
2 CHAIRMAN GETZ: Okay. Good morning,  
3 everyone. We'll open the hearing in Docket DE 10-122. On  
4 May 3rd, 2010, Public Service Company of New Hampshire  
5 filed a petition seeking authority to issue up to  
6 \$600 million in an aggregate principal amount of long-term  
7 debt securities through December 31, 2010. That petition  
8 was subsequently amended. The commission issued an order  
9 of notice on June 1, 2010, scheduling a prehearing  
10 conference that was held on June 29. A secretarial letter  
11 was issued on June 30 approving a procedural schedule  
12 culminating in the hearing on the matters today. We also  
13 issued a procedural order on July 20 that addressed  
14 petitions to intervene and the scope of the proceeding.

15 So, can we take appearances at this time  
16 please.

17 MS. SHIVELY: Good morning, Mr.  
18 Chairman, Commissioners. Catherine Shively, for Public  
19 Service Company of New Hampshire. And, with me today also  
20 is Kerry Tomasevich of the Company's Legal Department in  
21 Connecticut.

22 CHAIRMAN GETZ: Okay. Good morning.

23 MR. TOMASEVICH: Good morning.

24 MS. HATFIELD: Good morning,

1 Commissioners. Meredith Hatfield, for the Office of  
2 Consumer Advocate, on behalf of residential ratepayers.  
3 And, with me is Ken Traum.

4 CHAIRMAN GETZ: Good morning.

5 MS. AMIDON: Good morning. Suzanne  
6 Amidon, for Commission Staff. I have with me today Steve  
7 Mullen, who is to my immediate left, he's the Assistant  
8 Director of the Electric Division; to his left is Tom  
9 Frantz, the Director of the Electric Division; and to  
10 Tom's left is Grant Siwinski, who is a new analyst in the  
11 Electric Division.

12 CHAIRMAN GETZ: Okay. Good morning.  
13 Are there any issues we need to address before we hear  
14 from Ms. Shively's witness?

15 (No verbal response)

16 CHAIRMAN GETZ: Hearing nothing, then  
17 please proceed.

18 MS. SHIVELY: I would like to call Susan  
19 Weber.

20 (Whereupon *Susan B. Weber* was duly sworn  
21 and cautioned by the Court Reporter.)

22 SUSAN B. WEBER, SWORN

23 DIRECT EXAMINATION

24 BY MS. SHIVELY:

[WITNESS: Weber]

1 Q. Would you please state your name and business address  
2 for the record.

3 A. My name is Susan Weber. My business address is 56  
4 Prospect Street, in Hartford, Connecticut.

5 Q. And, what is your position?

6 A. I am the Assistant Treasurer of Finance for Public  
7 Service of New Hampshire, as well as the other NU  
8 operating companies.

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

10 A. My duties in that position, I'm responsible for raising  
11 long- and short-term debt, equity issuances, as well as  
12 cash management and treasury operations.

13 Q. And, are you familiar with the petition the Company  
14 filed in this proceeding?

15 A. Yes, I am.

16 Q. And, did you prefile testimony in May of this year in  
17 this case?

18 A. Yes, I did.

19 Q. And, was the petition and testimony prepared by you or  
20 under your direction and supervision?

21 A. Yes, it was.

22 MS. SHIVELY: I would like to mark the  
23 Company's petition and the attachments and Ms. Weber's  
24 prefiled testimony for identification as "Exhibit 1".

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[WITNESS: Weber]

1 And, that would be Bates Pages 0001 through 000114.

2 CHAIRMAN GETZ: So marked.

3 (The document, as described, was  
4 herewith marked as **Exhibit 1** for  
5 identification.)

6 MS. SHIVELY: Okay.

7 BY MS. SHIVELY:

8 Q. And, did you file amended and updated testimony on  
9 July 23rd, 2010, in response to the Commission's order  
10 dated July 20th, 2010?

11 A. Yes, I did.

12 Q. And, was that testimony prepared by you or under your  
13 direction and supervision?

14 A. Yes, it was.

15 MS. SHIVELY: Okay. I would like to  
16 mark Ms. Weber's July 23rd Amended Direct Testimony for  
17 identification as "Exhibit 2".

18 CHAIRMAN GETZ: So marked.

19 (The document, as described, was  
20 herewith marked as **Exhibit 2** for  
21 identification.)

22 MS. SHIVELY: Okay.

23 BY MS. SHIVELY:

24 Q. Ms. Weber, the Company responded to a number of data

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[WITNESS: Weber]

1 requests and responses in this proceeding over the last  
2 several months. Are you familiar with those data  
3 requests and responses?

4 A. Yes, I am.

5 Q. And, were they prepared by you or under your direction  
6 and supervision?

7 A. Yes, they were.

8 MS. SHIVELY: Okay. I'd like to mark  
9 the Company's responses to a number of data requests for  
10 identification as "Exhibit 3". The exhibit has the data  
11 requests and responses listed. That would be Q-TECH-01  
12 and 04, and Q-STAFF-04 and 04 Supplemental 1, STAFF-07 and  
13 07 Supplemental 1, STAFF-08, STAFF-09, STAFF-10, STAFF-12,  
14 and STAFF-13.

15 MS. HATFIELD: Mr. Chairman, the OCA  
16 objects to PSNH seeking to have these responses made as  
17 exhibits. In our view, the Company -- this would really  
18 amount to the Company amending and/or supplementing its  
19 case again for the second time. To the extent that the  
20 Company is trying to address issues raised in Mr. Mullen's  
21 testimony, the Company has been on notice that there were  
22 several deficiencies in its filing, really since the  
23 beginning of the case, but especially since August 20th,  
24 when Mr. Mullen filed his testimony. And, I do not

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[WITNESS: Weber]

1 believe it's proper for the Company itself to be trying to  
2 supplement its case through the submission of technical  
3 session and data requests. And, I would also just add  
4 that several of these requests are not responded to by Ms.  
5 Weber, but instead they're responded to by another witness  
6 who has not filed testimony in this case. So, I'm not --  
7 I'm not clear if she can even answer questions about them  
8 or if they actually were prepared under her direction.

9 CHAIRMAN GETZ: Okay. Ms. Amidon, do  
10 you have anything on this issue?

11 MS. AMIDON: We have no objection with  
12 the data responses being marked for identification.

13 CHAIRMAN GETZ: Do you have a response  
14 to the objection?

15 MS. SHIVELY: Well, I think my first  
16 response would be that the appropriate time to deal with  
17 this is when they are moved into evidence. But,  
18 generally, I think this Commission's practice is to allow  
19 data requests that were asked and answered in the course  
20 of the proceeding as evidence in the case. These  
21 responses have been available for at least several months.  
22 There have been two technical sessions, where OCA had an  
23 opportunity to ask questions about these responses, if  
24 they had any issues with them. And, generally, the

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[WITNESS: Weber]

1 rationale for not allowing material in as evidence in the  
2 case is the element of surprise and not having an  
3 opportunity to address the issues. That's certainly not  
4 the case in this situation, and it's not generally the  
5 Commission's practice.

6 And, as to the suggestion that some of  
7 these requests were prepared by Mr. Hall, this case  
8 involves areas that deal with various areas of expertise  
9 in the Company. Mr. Hall is here, and he is available  
10 today. The OCA has had a chance to ask Mr. Hall questions  
11 about these requests in the technical sessions, and he's  
12 available here today, if he needs to be sworn, to answer  
13 other questions about them.

14 CHAIRMAN GETZ: Let me make sure I  
15 understand the timing. So, these were data requests that  
16 were filed in early July, is that correct? Or are some of  
17 these --

18 MS. SHIVELY: Yes.

19 CHAIRMAN GETZ: Or, were all of these  
20 data requests filed prior to Mr. Mullen's testimony being  
21 submitted?

22 MS. SHIVELY: I have to see about the --

23 CHAIRMAN GETZ: Or, not the "data  
24 requests", but the data responses were?

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[WITNESS: Weber]

1 MS. SHIVELY: I have to see about the  
2 tech session. The tech session responses were filed on  
3 August 3rd. Mr. Mullen's testimony was filed on  
4 August 20th.

5 I would also add that the issues raised  
6 in Mr. Mullen's testimony really are more of clarifying  
7 issues, not of great and significant substance. And, I  
8 think that, you know, the clarification, it may be helpful  
9 to the Commission, but it's certainly not a lack of  
10 evidence or material in the Company's case.

11 CHAIRMAN GETZ: And, how are you  
12 proposing to use this? Are you just asking us to mark it  
13 for identification, then, I presume, at the end of the  
14 hearing, ask it moved into evidence? Or, are you  
15 expecting to have Ms. Weber address this in her direct?

16 MS. SHIVELY: I'm going to ask to move  
17 it into evidence at the end of the case.

18 (Commissioners conferring ).

19 CHAIRMAN GETZ: We're going to mark this  
20 for identification as this point, and then we'll take up  
21 the objection at the close of the hearing.

22 MS. HATFIELD: Thank you very much.

23 (The document, as described, was  
24 herewith marked as **Exhibit 3** for

[WITNESS: Weber]

1 identification.)

2 CHAIRMAN GETZ: Ms. Hatfield.

3 MS. HATFIELD: Mr. Chairman, I do need  
4 to slightly amend my objection, because, as the Commission  
5 will see later in the hearing, Mr. Mullen has actually  
6 attached several of these to his testimony. And, we don't  
7 need to go into the details now, but, obviously, I don't  
8 have an objection to the Commission marking those. But I  
9 think they're more properly considered with Mr. Mullen's  
10 testimony. But there are several on this list that fall  
11 into that category.

12 CHAIRMAN GETZ: Okay. All right. Well,  
13 we'll go through that later. Thank you.

14 MS. HATFIELD: Thank you.

15 CHAIRMAN GETZ: Ms. Shively.

16 MS. SHIVELY: Okay. I guess my next  
17 question raises issues of the motions for protective order  
18 that were filed by the Company.

19 CHAIRMAN GETZ: We need to -- You want  
20 to deal with Exhibit 4 first or --

21 MS. SHIVELY: Yes.

22 CHAIRMAN GETZ: Okay.

23 MS. SHIVELY: Yes. The materials in  
24 Exhibit 4 was submitted under four different motions for

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[WITNESS: Weber]

1 protective order. I'm not sure the Commission has acted  
2 on those motions.

3 CHAIRMAN GETZ: We have not.

4 MS. SHIVELY: We would like to submit  
5 this as evidence, and we would like for it to be  
6 protected.

7 CHAIRMAN GETZ: Well, I guess two  
8 issues. One is whether to identify, mark them for  
9 identification, and/or whether they deserve confidential  
10 treatment. But did you have something, Ms. Hatfield?

11 MS. HATFIELD: I do. Thank you, Mr.  
12 Chairman. I would also object to the Company seeking to  
13 have these items admitted. And, we can discuss it further  
14 when you get to that point in the hearing, if you do  
15 decide to mark them for identification at this point, but  
16 for the same bases that I discussed earlier.

17 CHAIRMAN GETZ: Okay. So, we'll mark  
18 them for identification as "Exhibit 4".

19 (The document, as described, was  
20 herewith marked as **Exhibit 4** for  
21 identification.)

22 CHAIRMAN GETZ: Do you have any position  
23 or does Staff have any position on the motions for  
24 confidentiality?

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[WITNESS: Weber]

1 MS. AMIDON: No, we don't take any  
2 position at this point.

3 CHAIRMAN GETZ: Ms. Hatfield, did you?

4 MS. AMIDON: Oh, I'm sorry.

5 MS. HATFIELD: No, I don't. Thank you,  
6 Mr. Chairman.

7 CHAIRMAN GETZ: Okay. And, this Exhibit  
8 4 includes the three motions that were previously filed on  
9 the Revolving Credit Agreement, the 5-year forecasts, the  
10 assumptions underlying the financial forecasts, and the  
11 most recent filing on the credit agreement, is that  
12 correct?

13 MS. SHIVELY: Yes. On the draft credit  
14 agreement, right.

15 CHAIRMAN GETZ: Okay. All right. Thank  
16 you.

17 MS. SHIVELY: Okay. Just to note for  
18 the record, those are responses to TECH-02, OCA-07,  
19 OCA-07, Supplemental 1, and STAFF-03.

20 BY MS. SHIVELY:

21 Q. Ms. Weber, would you please summarize your testimony in  
22 this case for the Commission.

23 A. Certainly. In this proceeding, PSNH is requesting  
24 authority for five items. First, the authority to

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[WITNESS: Weber]

1 issue up to 500 million in long-term debt during  
2 approximately a two year financing period, ending  
3 December 31st, 2012. This debt will likely be issued  
4 in two separate issuances; one in 2011 and one in 2012,  
5 with the timing primarily dependent on short-term debt  
6 balances, then current cash flow forecasts, and market  
7 conditions.

8 Second, for the mortgaging of property  
9 associated with the issuance of long-term debt. Third,  
10 for the execution of interest rate risk management  
11 transactions. Fourth, for long-term borrowing under an  
12 unsecured Revolving Credit Agreement. And, fifth, the  
13 extension of the Company's short-term debt limit of 10  
14 percent of net plant, plus \$60 million.

15 Q. All right.

16 A. If I may continue? I have a couple of comments.

17 Q. Yes.

18 A. As I have indicated in my direct testimony, I can't  
19 emphasize enough that having the authority to issue  
20 \$500 million in long-term debt doesn't necessarily mean  
21 that PSNH will actually use such authority. For  
22 example, if the current forecast holds true, PSNH would  
23 issue \$210 million in long-term debt in 2011 and  
24 \$235 million of long-term debt in 2012, consistent with

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[WITNESS: Weber]

1 that forecast. PSNH will not issue \$500 million of  
2 long-term debt just because it has the authority to do  
3 so. And, the issuance must make sense from an overall  
4 financial perspective or it won't happen.

5 In addition, PSNH's request for  
6 multi-year financing authority to provide needed  
7 flexibility to the Company in today's volatile markets,  
8 where major changes in market conditions can occur  
9 quickly, and potentially could have adverse impacts on  
10 PSNH. Fortunately, a situation of this sort, with  
11 significant adverse financial impacts, have not  
12 occurred. But that does not prevent the Company's  
13 management from being concerned that could happen in  
14 the future, and taking such steps to minimize that  
15 potential. Thank you.

16 Q. Ms. Weber, one of the issues raised by Mr. Mullen in  
17 his testimony was the priority on which the Company  
18 would pursue the options that you outlined in your  
19 initial testimony. Would you comment on that.

20 A. Certainly. Mr. Mullen indicated in his testimony a  
21 need for clarification with respect to PSNH's priority  
22 of the three options related to future long-term debt  
23 issuances. Specifically, in the form of secured or  
24 unsecured securities in the debt capital markets, in

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[WITNESS: Weber]

1 the form of borrowing from NU as evidenced by one or  
2 more promissory notes or by one or more bank loans,  
3 pursuant to the Company's unsecured Revolving Credit  
4 Agreement, which I'll refer to here simply as the  
5 "credit facility".

6 In terms of priority, PSNH would first  
7 seek to issue long-term debt in the debt capital  
8 markets. In the unlikely event that these markets are  
9 inaccessible or unavailable, PSNH would then look to  
10 borrow long term from its credit facility. If, for  
11 some reason, this line of credit is not sufficient or  
12 unavailable for such a long-term borrowing, PSNH would  
13 then seek to borrow from NU.

14 Q. Mr. Mullen also raised an issue regarding use of the  
15 credit agreement for both short-term and long-term  
16 debt, questioning how the amounts would be  
17 characterized, as either "short-term" or "long-term"  
18 under the agreement. Could you comment on that also?

19 A. Yes. If a long-term borrowing is made under the credit  
20 facility, the term would be greater than 364 days, that  
21 any term over 364 days is considered to be long term.  
22 However, the term of long-term borrowing cannot be  
23 later than the termination date of the credit facility  
24 itself. So, for example, if the credit facility has a

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[WITNESS: Weber]

1 termination date of, say, 18 months, after the date of  
2 the long-term borrowing is made, the term of such  
3 borrowings would need to be at least one year, but no  
4 longer than 18 months.

5 Q. Mr. Mullen also noted that borrowings under the credit  
6 facility would need to be offset with additional  
7 equity, in accordance with the Rate Settlement  
8 Agreement, to maintain the agreed upon capital  
9 structure. Is this consistent with your understanding?

10 A. Yes, it is.

11 Q. He also requested clarification regarding the interest  
12 rate applicable to promissory note borrowings from the  
13 NU parent. Would you explain how that interest rate  
14 would be determined.

15 A. Yes. If there's not sufficient availability under the  
16 credit facility, PSNH would then seek to borrow from NU  
17 under a promissory note. The form of which has been  
18 provided in Attachment 9 of our financing application.  
19 NU would fund PSNH at its then existing cost of funds,  
20 which would most likely be a borrowing at the NU  
21 revolving credit facility or through a debt capital  
22 markets transaction.

23 In the case of a long-term borrowing  
24 under the existing credit facility as an example, NU

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[WITNESS: Weber]

1 would borrow at the cost equal to 3 months LIBOR, which  
2 is currently about 0.3 percent, plus an applicable  
3 margin, and the margin under the existing credit  
4 facility is 0.375 percent. In the case of an NU  
5 capital market transaction, NU would borrow at  
6 market-based pricing based on its credit rating, with a  
7 credit spread of no greater than 400 basis points  
8 consistent with the not-to-exceed credit spread as  
9 requested by PSNH for its long-term debt under  
10 issuances in this petition.

11 It should be noted, however, that PSNH  
12 and NU's existing credit facilities will terminate on  
13 November 6, 2010, and are expected to be replaced prior  
14 to that time on or about October 1st. After which the  
15 time of the cost of borrowing is expected to increase  
16 significantly from the current credit facilities due to  
17 the now current market conditions. However, even under  
18 the new credit facilities, the applicable margins for  
19 long-term borrowings at either PSNH or NU are expected  
20 to be no greater than 400 basis points, which is  
21 4 percent as requested in the petition. I would also  
22 note that, under all circumstances, PSNH would seek to  
23 achieve the lowest cost of long-term financing for its  
24 customers.

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[WITNESS: Weber]

1 Q. And, finally, could you indicate PSNH's position on  
2 Mr. Mullen's proposal regarding interim reporting and  
3 filing of actual financing documents following an  
4 issuance?

5 A. Sure. Mr. Mullen has proposed that PSNH file an  
6 interim report on or before December 31st, 2011,  
7 detailing the then current financial market conditions,  
8 updating estimates regarding financing costs for the  
9 future issuances, and any other issues of significant  
10 relevance to the potential future issuances that could  
11 occur through December 31st, 2012. PSNH has no issues  
12 related to filing of such an interim report.

13 In addition, Mr. Mullen has requested  
14 that PSNH be required to file copies of the actual  
15 executed financial documents, along with a report to  
16 the Commission within 30 days following the issuance of  
17 long-term debt that would summarize the terms and  
18 conditions and the actual cost of the transaction, and  
19 demonstrate compliance with the pre-approved  
20 parameters. PSNH has no issues related to filing of  
21 copies of the executed financing documents as requested  
22 by Mr. Mullen at the time it files its long-term debt  
23 post issuance report.

24 Q. I do have one last question for you. The Company has a

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[WITNESS: Weber]

1 Revolving Credit Agreement that's been in place for  
2 about five years, is that correct?

3 A. That is correct.

4 Q. Okay. And, could you just briefly summarize the  
5 differences between, recognizing that the new credit  
6 agreement has not yet been signed, but could you  
7 summarize the differences that are expected between the  
8 old credit agreement and the new credit agreement, the  
9 major ones?

10 A. Certainly. Specifically, for the new credit agreement,  
11 both the fees associated with the new credit agreement,  
12 as well as the borrowing spreads, have increased to  
13 reflect current market conditions. Secondly, the  
14 borrowing supplements for each one of the operating  
15 companies have each been increased, reflecting  
16 projected short-term borrowing levels for each of the  
17 companies to ensure sufficient liquidity for each of  
18 the operating companies. And, finally, the last major  
19 difference in the documents is that new language has  
20 been included as to how to deal with a potential  
21 defaulting lender, such as Lehman Brothers, which has  
22 -- was a defaulting lender under the existing credit  
23 facility.

24 MS. SHIVELY: Okay. Ms. Weber is

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[WITNESS: Weber]

1 available for cross-examination.

2 CHAIRMAN GETZ: Thank you. Ms.  
3 Hatfield.

4 MS. HATFIELD: Thank you, Mr. Chairman.  
5 Good morning, Ms. Weber.

6 WITNESS WEBER: Good morning.

7 CROSS-EXAMINATION

8 BY MS. HATFIELD:

9 Q. Have you previously testified before the New Hampshire  
10 Commission?

11 A. No, I have not.

12 Q. Did you work on PSNH's last financing case that was  
13 docketed as "DE 09-033"?

14 A. By "work on it", did you mean did I participate in as  
15 support?

16 Q. Yes.

17 A. Yes, I did.

18 Q. And, are you aware that, on December 8th of 2009, the  
19 Commission's approval for that long-term borrowing,  
20 which was \$150 million, became final on that date?

21 A. Yes, I am.

22 Q. What were those funds used for, do you know?

23 A. Those funds were used to pay short-term debt then  
24 outstanding at the time, as well as pay for issuance

{DE 10-122} {09-13-10}

[WITNESS: Weber]

1 costs.

2 Q. Do you know if any of those funds were used to fund  
3 2010 projects and operations of PSNH?

4 A. The debt -- the debt issuance was used, the use of the  
5 proceeds was to fund short-term debt that had been  
6 previously incurred. So, therefore, if a project  
7 continued into 2010, I think the answer would be "yes".  
8 But I'm not quite sure if that answers your question.

9 Q. Okay. And, you have filed what's been marked as  
10 "Exhibit 1", which was your original May testimony,  
11 correct?

12 A. Correct.

13 Q. And, Exhibit 2, which is your amended testimony in  
14 August, correct?

15 A. Correct.

16 Q. And, between those two documents, could you point me to  
17 where you specified the terms of the proposed financing  
18 that the Commission is considering?

19 A. Certainly. May I ask you a clarifying question? When  
20 you ask for "terms", exactly what are you asking for?  
21 Rates? Are you looking for interest rates or --

22 Q. Whatever you think would be contained within the terms  
23 of the financing.

24 A. Sure. I'd first like to refer to I believe it's

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[WITNESS: Weber]

1 Page 090, and it's a description of the proposed  
2 financing. And, in that, it specifically states, and I  
3 will refer you to Lines 12 through 24, and then, on  
4 Page 091, through Lines 1 and 2. And, then, the terms  
5 of the financing, I can read this into the record, if  
6 that's what you'd like?

7 Q. I think the fact that you pointed us to the line is  
8 fine.

9 A. Okay. All right.

10 Q. Thank you.

11 A. Thanks.

12 Q. So, if I look at Page -- Bates Page 090, that's what  
13 you were referring to in your testimony?

14 A. Yes.

15 Q. So, it's actually Page 5 of your testimony?

16 A. Yes, that's correct.

17 Q. And, if I look, for example, at Line 12, that refers to  
18 "600 million", and that has been revised by your  
19 amended testimony to "500 million", correct?

20 A. That is correct.

21 Q. And, then, if I look, for example, at Line 15, you give  
22 a maturity date "ranging from 1 to 40 years"?

23 A. Correct.

24 Q. And, then, if we look down at Line 23, we have the

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[WITNESS: Weber]

1 credit spread of "400 basis points"?

2 A. That is correct.

3 Q. And, then, on the next page, Bates 091, where you refer  
4 to the interest rate, you state it "will be determined  
5 at the time of issuance depending on prevailing market  
6 conditions", is that correct?

7 A. That is correct.

8 Q. And, so, those items are what you would refer to as the  
9 "terms" of the financing?

10 A. Yes, I would.

11 Q. And, where in your testimony would we find the proposed  
12 uses of the up to \$500 million that the Company is  
13 proposing to borrow?

14 A. If you look at Page 6 of my original testimony, Bates  
15 number 091, Lines 5 through 13.

16 Q. And, here you have discussed things like the repayment  
17 of short-term debt, is that right?

18 A. That is correct.

19 Q. And, what are some of the other things that you've  
20 listed that you'll use these funds for?

21 A. In addition to our repayment of short-term debt, it's  
22 also for funding of the issuance costs of the debt  
23 issuance itself. You have to pay for the expenses of  
24 the debt. And, if market conditions are such that

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[WITNESS: Weber]

1           there is ability to finance more than the current  
2           short-term debt level, any additional debt would be  
3           used for ongoing capital expenditures, as well as  
4           funding working capital needs.

5   Q.   And, in terms of funding ongoing capital expenditures,  
6        would that include activities in 2010, 2011, and 2012?

7   A.   It would include activities, if we have it in 2011, it  
8        would include activities in 2011, until such time as we  
9        go out for an additional debt issuance or that  
10       particular capital, the cash that's available for that  
11       has been used up.

12   Q.   And, I think you testified, both in writing and this  
13        morning, that you're planning on two different  
14        issuances?

15   A.   Yes.

16   Q.   And, have you testified that the first one you expect  
17        to be 210 million and the second one you expect to be  
18        225 million?

19   A.   First is 210, the second is 235.

20   Q.   And, so, that would be a total of 445, if I'm doing my  
21        math correctly?

22   A.   Let me -- actually, let me correct myself. You were  
23        correct, it was "225". So, the total is 435 million.  
24        I apologize for that.

{DE 10-122}    {09-13-10}

[WITNESS: Weber]

1 Q. And, in terms of timing, when does the Company believe  
2 that it might do the first issuance?

3 A. The first issuance could potentially happen as early as  
4 the first quarter of 2011. However, it will not occur  
5 until or unless PSNH has sufficient short-term debt  
6 accrued to warrant such a financing.

7 Q. And, you just referenced the fact that issuance costs  
8 would also be paid for. Do you have a sense of how  
9 much those would be for each issuance?

10 A. Yes. Actually, if I can refer to my testimony,  
11 Page 14, Bates 099, Lines 6 through 18, provides the  
12 issuance costs associated with actually both, both debt  
13 issuances.

14 Q. And, there you estimated \$4.5 million in issuance costs  
15 on your original proposal of 600 million?

16 A. That's correct.

17 Q. Ms. Weber, did you review Mr. Mullen's testimony that  
18 he filed on August 20th in this docket?

19 A. Yes, I did.

20 Q. Would you please turn to -- do you have a copy of that  
21 with you?

22 A. Yes, I do.

23 Q. If you would turn to SEM-1, which starts on Page 16 of  
24 his testimony please.

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[WITNESS: Weber]

1 A. Actually, I don't have a copy of that. I have the  
2 testimony itself, I don't have the attachments.

3 (Atty. Shively handing document to the  
4 witness.)

5 WITNESS WEBER: Thank you.

6 CHAIRMAN GETZ: For administrative  
7 purposes, do we want to mark this for identification? I  
8 expect this will be Staff's first exhibit, in any event.

9 MS. AMIDON: Yes. Why don't you go  
10 ahead and mark it for identification at this point.

11 MS. SHIVELY: Can I just interrupt?  
12 This information is also included in Exhibit 3, as  
13 response to Q-STAFF-12.

14 CHAIRMAN GETZ: Okay. Well, let's mark  
15 Mr. Mullen's testimony filed on August 20 for  
16 identification as "Exhibit Number 5".

17 (The document, as described, was  
18 herewith marked as **Exhibit 5** for  
19 identification.)

20 MS. HATFIELD: Thank you, Mr. Chairman.

21 BY MS. HATFIELD:

22 Q. And, Ms. Weber, do you have a copy of Mr. Mullen's  
23 attachments before you now?

24 A. Yes, I do.

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[WITNESS: Weber]

1 Q. And, if you look at Page 16 of his testimony, do you  
2 see SEM-1?

3 A. Yes, I do.

4 Q. And, do you see that that is the Company's response to  
5 Data Request STAFF-01, Q-STAFF-012, or also known as  
6 "1-12"?

7 A. Yes, it is.

8 Q. And, that's dated July 1st of this year?

9 A. Yes, it is.

10 Q. And, the witness who provided it is Stephen R. Hall?

11 A. That's correct.

12 Q. Are you familiar with this response?

13 A. Generally familiar with it.

14 Q. And, so, you know also that it is a copy of PSNH's 2010  
15 construction budget as is reflected right in the  
16 question?

17 A. Yes.

18 Q. And, would you be able to answer questions about any of  
19 the items that are listed in this budget?

20 A. On the line items themselves?

21 Q. Yes.

22 A. No, I won't. No, I can not.

23 Q. Now, my math suggests that, if you add up the different  
24 areas that this budget covers, between energy delivery,

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[WITNESS: Weber]

1 generation, and transmission, it totals approximately  
2 \$174 million. Would you accept that subject to check?

3 A. Subject to check, yes.

4 Q. And, just so you know, the numbers that I'm looking at,  
5 if you look at Page 22, there's \$107 million, roughly,  
6 for customer operations/energy delivery. Then, if we  
7 look at generation, which is on Page 24, it's 1. --  
8 excuse me, \$169.6 million, roughly. And, then, in the  
9 transmission area, on Page 27, there's roughly  
10 \$48.8 million. Do you see those numbers?

11 A. Yes, I do.

12 Q. Now, this is the 2010 construction budget, correct?

13 A. Yes, it is.

14 Q. And, I think that you stated that "the first issuance  
15 for 210 million would possibly be in the first quarter  
16 of 2011." Did you say that?

17 A. Yes.

18 Q. So, would any of these projects be funded through the  
19 proposed financing?

20 A. Any costs that were incurred by PSNH that were financed  
21 by short-term debt during the time period since the  
22 prior financing, which closed in December of last year,  
23 would be eligible, would be part of what we funded with  
24 the next financing. So, we build up the short-term

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[WITNESS: Weber]

1 debt as we go through time.

2 Q. And, do you know which of these have been funded by  
3 short-term debt at this point in 2010?

4 A. Actually, we don't track dollar-for-dollar of capital  
5 projects for short-term debt issuances. The projects  
6 are funded either by working capital, you know,  
7 remittances from customers, as well as short-term debt.

8 MS. HATFIELD: Thank you. I have  
9 nothing further.

10 CHAIRMAN GETZ: Thank you. Ms. Amidon.

11 MS. AMIDON: I'm going to turn to Mr.  
12 Mullen for questions for Ms. Weber.

13 MR. MULLEN: Good morning.

14 WITNESS WEBER: Good morning.

15 BY MR. MULLEN:

16 Q. Just to clarify, you were just asked by Attorney  
17 Hatfield the total amount of the capital projects that  
18 were included on my Attachment SEM-1. I believe the  
19 total that she mentioned was "\$174 million"?

20 A. That's what she mentioned. It appears a little higher,  
21 I believe, based on the numbers she read.

22 Q. I think, if you look at my Attachment SEM-1, which is  
23 Page 18 of my testimony, would I be correct that the  
24 total, if I look at the "total" column at the bottom,

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[WITNESS: Weber]

1 is roughly \$326 million?

2 A. You are correct. Yes.

3 Q. Thank you. Could you summarize what you feel are any  
4 differences between this financing and prior financings  
5 that PSNH has done?

6 A. In terms of financings in the past, I think one of the  
7 major differences is we've asked for a multi-year  
8 financing authority. Where, in the past, for the most  
9 part, we've come in for then current, the next  
10 financing. So, this is a little broader as we've asked  
11 for two years of authority for multiple financings.  
12 That's one of the major differences.

13 Q. Regarding that multi-year request, why is the Company  
14 seeking multi-year authority?

15 A. We're seeking multi-year authority because of the  
16 changes that occur in the marketplace. And, it's  
17 still, despite the fact that the major financial  
18 crisis, which occurred late 2008 or early 2009, I don't  
19 know if you could say "it's over", but it's been  
20 mitigated somewhat, however, the markets continue to be  
21 somewhat volatile. And, PSNH is seeking flexibility to  
22 be able to address market conditions and have enough  
23 time, should the markets have another issue, in terms  
24 of when they are closed down or rates go up

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[WITNESS: Weber]

1 significantly, so we have more flexibility in terms of  
2 obtaining the best pricing that we can for PSNH's  
3 customers.

4 Q. Since PSNH's May 3rd, 2010 initial filing, the request  
5 has been amended from "up to 600 million" over two  
6 years to "up to 500 million". Could you explain why  
7 the request was amended as such?

8 A. Certainly. The reasons for the amendment are two-fold.  
9 First of all, we are recognizing the result of the  
10 Commission's approval of the settlement in PSNH's  
11 distribution rate case, which is Docket DE 09-035. The  
12 long-term debt component of PSNH's capital structure  
13 was changed from 51.17 percent to 45.73 percent.  
14 PSNH's application, original application in this  
15 docket, was filed prior to that decision. And,  
16 accordingly, it assumed the debt target capital -- the  
17 target debt component of 51.17 percent. The change in  
18 this percentage for the debt component is estimated to  
19 increase the amount of long-term debt financing that  
20 PSNH requires during the period by about 40 to \$50  
21 million.

22 In addition, recognizing concerns  
23 related to "excess financing authority requested",  
24 that's a quote from the Commission and Staff, PSNH also

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[WITNESS: Weber]

1 reduced its request by an additional \$50 million.

2 Q. Regarding that reduction and some flexibility in terms  
3 of the amount, do you feel that that's going to limit  
4 the Company in anything it had planned to do going  
5 forward?

6 A. Based on current -- based on forecasts, no.

7 Q. If, for some reason, as you go forward during this  
8 requested two year period, circumstances change in  
9 terms of either conditions in the capital markets or  
10 the Company's financing needs, what would happen?

11 A. If situations change in terms of -- did you say  
12 additional financing is required, for example?

13 Q. Yes.

14 A. We would come back to the Commission and ask for  
15 whatever authority we will need to finance based on  
16 those change in conditions.

17 Q. That would include changes in terms of the conditions  
18 in the capital markets that could impact either the  
19 requested spread or the interest rate?

20 A. Yes. Yes. If the spread, we have asked for a 400  
21 basis point spread authority, and should capital  
22 markets return to where they were a year and a half,  
23 two years ago, we might have to -- we would have to  
24 come back to the Commission. At that time, spreads got

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[WITNESS: Weber]

1 as high as 600 basis points. So, we would need to come  
2 back and ask for revised authority.

3 Q. As of today, what's the Company's best estimates in  
4 terms of the interest rate spread? There was going to  
5 be another part of my question. And, the maturity of  
6 its initial long-term debt financing?

7 A. Based on current market conditions, and also looking at  
8 the debt maturity schedule that exists for PSNH's  
9 currently outstanding debt, we believe that a ten year  
10 debt issuance would be likely for the next debt  
11 issuance. And, current market conditions for a PSNH  
12 ten year institutional capital markets issuance, the  
13 spread would be approximately probably 90 to 100 basis  
14 points.

15 Q. What about the interest rate?

16 A. The interest rate, to get the overall interest rate,  
17 you would take the, say, if you used 95 basis points, a  
18 midpoint, you would add that to the Treasury, the 10  
19 Year Treasury, which is approximately I want to say  
20 2.6 percent. So, 2.6 percent, say, 90 basis points,  
21 would get you in the range of about 3.4, 3.5 percent.

22 Q. Compared to PSNH's other outstanding long-term debt  
23 issuances, how does that interest rate stack up?

24 A. Compared to the currently outstanding debt issuances

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[WITNESS: Weber]

1 that PSNH has of First Mortgage bonds, and, just to  
2 note, they're all of different tenders, so they're not  
3 necessarily directly comparable, that is probably the  
4 lowest rate that we've seen.

5 MR. MULLEN: Thank you. I have nothing  
6 further.

7 CHAIRMAN GETZ: Commissioner.

8 CMSR. BELOW: Thank you. Good morning.

9 BY CMSR. BELOW:

10 Q. Could you characterize how this financing proposal  
11 conforms or doesn't conform to the Company's most  
12 recent least cost integrated resource plan?

13 A. I can't address that, I'm sorry.

14 Q. Okay. If we turn to Exhibit 5, and the Attachment  
15 SEM-1, on Page 17, and we look at Line 14, the  
16 "Estimated cash requirements for 2010 construction",  
17 the \$325.9 million, if we look at that cash  
18 requirement, which that's the principal thing that you  
19 would be funding with the proceeds from the financing,  
20 is that correct?

21 A. That would be the capital portion, I believe. And, you  
22 know, there would also be just general working capital  
23 company O&M expenses and things, so --

24 Q. Well, could you -- what would be the amount of, I mean,

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[WITNESS: Weber]

1 I know there's debt issuance, which might be roughly  
2 1 percent. What would you expect to increase working  
3 capital by from this financing?

4 A. I don't have an exact number with me.

5 Q. Do you normally finance working capital with long-term  
6 debt? Is that customary?

7 A. What we do is -- yes, it can be. It's primarily tied  
8 to long-term capital assets, however.

9 Q. Okay. And, likewise, O&M expenses, how much of the  
10 proceeds of the financing would go towards O&M  
11 expenses?

12 A. Not a significant amount in my understanding.

13 Q. A small amount. Okay. Well, how much, for the  
14 \$210 million financing that you're anticipating perhaps  
15 for the first quarter of next year, considering the  
16 debt-to-equity ratio, what would be the total dollar  
17 amount, when you add in the equity component that that  
18 might fund?

19 A. I'm not sure -- I'm sorry, I'm not sure I understand  
20 your question.

21 Q. Well, if you maintain -- have you testified that you --  
22 the intention of the Company is to maintain the  
23 debt-to-equity ratio?

24 A. Yes, I have. Yes, I have.

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[WITNESS: Weber]

1 Q. And, so, roughly speaking, for each \$45 of debt you  
2 might incur, you would also be putting in \$55 of  
3 equity, is that fair to say?

4 A. That is fair. Yes.

5 Q. Okay. And, what's the typical source of funds for the  
6 equity component?

7 A. The equity component would be a contribution from NU.

8 Q. As opposed to retained earnings? Would some of that be  
9 from retained earnings within PSNH or an additional  
10 equity contribution from NU?

11 A. It could be in the form of retained earnings. But,  
12 generally, it's in the form of a capital contribution  
13 from the Company.

14 Q. Okay. So, when we take the 210 million, could we  
15 divide that by 0.4573 as the debt portion to come up  
16 with the total amount of funding that would -- might be  
17 implicated by \$210 [million] of debt when you add in  
18 the equity matched to that, if you will?

19 A. Yes, you could do that.

20 Q. And, that would be roughly \$459 million?

21 A. Subject to check, yes.

22 Q. Okay. And, if we take the 326 million for the cash  
23 requirements for the 2010 construction, you said  
24 there's some -- maybe some amount for working capital

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[WITNESS: Weber]

1 issuance, some O&M, but those are all relatively small.  
2 There appears to be a difference of 133 million, less  
3 those smaller items, is that fair to say?

4 A. That's fair to say.

5 Q. What would those funds be used for?

6 A. Those funds would actually be incurred in 2011, in a  
7 similar manner for capital funding. The request that  
8 we have is to fund sometime during 2011. So, what  
9 would happen with short-term debt, it would continue to  
10 accrue, not only for the 2010 capital plan, but also  
11 you'd start, in January 1st of next year, you'd start  
12 on the 2011 capital plan.

13 Q. Okay. And, likewise, the amount that you might seek to  
14 issue in 2011, the additional 225 million that you're  
15 currently forecasting, would presumably be used to fund  
16 the balance of 2011 capital projects, plus there would  
17 be some perhaps for 2012?

18 A. That's exactly correct.

19 Q. Okay. And, do you have, in terms of that forecast for  
20 the 2011 capital budget, do you have numbers that  
21 represent how much would be for distribution,  
22 generation, transmission, and working capital? In  
23 aggregate?

24 A. For 2011?

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[WITNESS: Weber]

1 Q. Yes.

2 A. Actually, the answer to your question is contained in  
3 one of our protected documents.

4 Q. Okay.

5 A. It would be STAFF-003, on Page 4 of 4. Not to the  
6 level of detail that you requested with distribution,  
7 generation, and transmission. But there is a forecast  
8 of investment activities for 2011 and 2012 in the cash  
9 flow statement.

10 MS. SHIVELY: I would also note that in  
11 that same exhibit, Q-TECH-002 does have that breakdown.

12 CMSR. BELOW: Pardon?

13 MS. SHIVELY: Q-TECH-002, the first  
14 response in that protected package, Page 2 of 2.

15 CHAIRMAN GETZ: And, we're referring to  
16 Exhibit 4 marked for identification?

17 MS. SHIVELY: Right.

18 WITNESS WEBER: Actually, the response  
19 to the technical question does include distribution,  
20 generation, and transmission broken down.

21 CMSR. BELOW: Okay.

22 CHAIRMAN GETZ: And, that's on Page 2 of  
23 2 of the response to TECH-002, is that correct?

24 WITNESS WEBER: That is correct.

[WITNESS: Weber]

1 BY CMSR. BELOW:

2 Q. Do you have an analysis of what the rate impact of  
3 those additional investments would be to the  
4 distribution, generation, and transmission rates to the  
5 Company?

6 A. No, I don't.

7 Q. Okay. If we turn to back to Exhibit 5, Page 25, which  
8 is the construction budget detail on transmission.  
9 And, perhaps you've already indicated that you can't  
10 answer specific questions, but I will just ask one  
11 anyways just to confirm that. Line items 6006 and 6007  
12 are characterized as two construction of new  
13 transmission lines, is that fair to say?

14 A. According to the "project description", yes, that's  
15 correct.

16 Q. Okay. Do you know if the Company did an analysis of  
17 alternatives to constructing those new transmission  
18 lines?

19 A. I don't know the answer to that question.

20 CMSR. BELOW: Okay. Thank you. I think  
21 that's all I have for now.

22 CHAIRMAN GETZ: Thank you. Commissioner  
23 Ignatius.

24 CMSR. IGNATIUS: Thank you.

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[WITNESS: Weber]

1 BY CMSR. IGNATIUS:

2 Q. Ms. Weber, following on Commissioner Below's questions,  
3 would it be possible to create an exhibit similar to  
4 the one we were just looking at attached to  
5 Mr. Mullen's testimony, that was Staff Question 12,  
6 Page 3? This is the chart of 2010 Construction Budget  
7 Summary. Could you create one for 2011 in a similar  
8 format?

9 A. I would have to defer to Mr. Hall on that.

10 CHAIRMAN GETZ: Well, I think we won't  
11 hear directly from Mr. Hall, Mr. Hall. Ms. Shively, if  
12 you could make a representation one way or the other. Ms.  
13 Hatfield?

14 MS. HATFIELD: I can wait till Ms.  
15 Shively speaks.

16 MS. SHIVELY: I'm sorry. I'm not sure  
17 what you want me to do.

18 CHAIRMAN GETZ: Well, there was a --  
19 your witness said she can't speak to this question, but  
20 Mr. Hall can. Can you answer the question for  
21 Commissioner Ignatius, whether such a comparable exhibit  
22 for 2011 could be prepared?

23 MS. SHIVELY: We can check during a  
24 break with the budgeting folks. Generally speaking, that

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[WITNESS: Weber]

1 information is available in response to Q-TECH-002, broken  
2 down by distribution, generation, and transmission. But  
3 we can certainly check with the budgeting people at the  
4 Company to see if --

5 CHAIRMAN GETZ: It could be further  
6 broken down?

7 MS. SHIVELY: Yes. If that level of  
8 detail by the size of projects is available at this time.  
9 I think, generally, it's not. But I can certainly check  
10 to see if that's the case.

11 CHAIRMAN GETZ: Thank you. Ms.  
12 Hatfield.

13 MS. HATFIELD: Mr. Chairman, while I am  
14 loath to object to information that a commissioner is  
15 seeking, I do just want to point out that that would be  
16 new information that I think the Commission would be  
17 considering in determining whether or not to approve the  
18 financing. And, we would respectfully request that  
19 perhaps the record should be kept open so that the parties  
20 could have a chance to review, if the Commission is going  
21 to use it in making its decision on the proposal.

22 CHAIRMAN GETZ: Thank you. Commissioner  
23 Ignatius.

24 CMSR. IGNATIUS: Thank you.

{DE 10-122} {09-13-10}

[WITNESS: Weber]

1 BY CMSR. IGNATIUS:

2 Q. Ms. Weber, you've stated that the credit agreement is  
3 still being negotiated?

4 A. That is true.

5 Q. When do you expect it to be finalized?

6 A. Before October 1st.

7 Q. Are you confident of the terms contained within it  
8 remaining the same, and it's just a matter of final  
9 execution, or are the terms subject to any significant  
10 change, in your opinion?

11 A. The terms, in the sense of the price, the fees and the  
12 pricing, are not expected to change at all. The actual  
13 language, probably very small changes, based on final  
14 negotiations with the syndicate attorneys.

15 Q. You also stated, in response to a question from Mr.  
16 Mullen, that, when you would be going out in the second  
17 phase of financing, that if terms were significantly  
18 different from the first phase, you would have to come  
19 back to the Commission, correct?

20 A. That is correct.

21 Q. And, you gave as an example that, unlike the 400 basis  
22 points that is being negotiated here, 18 months ago you  
23 were looking at 600 basis points?

24 A. That is correct.

{DE 10-122} {09-13-10}

[WITNESS: Weber]

1 Q. So, I take it, if you were seeing a 600 point spread,  
2 you would be coming back here?

3 A. Absolutely.

4 Q. All right. What if you're somewhere in between those  
5 two?

6 A. Anything greater than what has been authorized by the  
7 Commission, I believe we would have to come back and  
8 ask for reauthorization.

9 Q. So, if this were approved and conditioned on it being  
10 no greater than the 400, then the Company would have to  
11 come back for additional approval?

12 A. Absolutely.

13 Q. And, in the discussions of Mr. Mullen's testimony,  
14 about looking for an update of the documents in the  
15 financial markets, I forget the date, if it's in late  
16 2011 perhaps, is it your expectation that you would  
17 give a report on what you're projecting what you're  
18 seeing in the markets and how they may be similar or  
19 different from where we are today?

20 A. Yes. It would be my expectation, it would be very  
21 similar. As we file testimony, we would comment on the  
22 current market conditions, in terms of, you know,  
23 applicable spreads and Treasury rates that would -- for  
24 long-term debt, and also refresh, you know, if anything

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[WITNESS: Weber]

1 has changed, in terms of the planned issuance in terms  
2 of sizing.

3 CMSR. IGNATIUS: Thank you.

4 CHAIRMAN GETZ: Ms. Shively, any  
5 redirect?

6 MS. SHIVELY: Could I have a few  
7 minutes?

8 (Chairman and Commissioners conferring.)

9 CHAIRMAN GETZ: Okay. Let's do this.  
10 Let's take about a 15 minute recess. We'll come back for  
11 opportunity for redirect, and then we'll turn to the  
12 direct testimony of Mr. Mullen. Thank you.

13 MS. SHIVELY: Thank you, Mr. Chairman.

14 (Recess taken at 11:06 a.m. and the  
15 hearing resumed at 11:22 a.m.)

16 CHAIRMAN GETZ: Ms. Shively, any  
17 redirect for Ms. Weber?

18 MS. SHIVELY: Yes. I have just a couple  
19 of questions.

20 **REDIRECT EXAMINATION**

21 BY MS. SHIVELY:

22 Q. Ms. Weber, could you just review for the record sort of  
23 the cycle of drawing down the short-term debt and  
24 issuing long-term debt and how that works?

{DE 10-122} {09-13-10}

[WITNESS: Weber]

1 A. Certainly. In between long-term debt issuances,  
2 short-term debt is accrued by PSNH. And, when the  
3 amount gets -- the amount of short-term debt gets to be  
4 at a level which is easily sold in the marketplace, we  
5 would go out for a -- PSNH would go out for an issuance  
6 of long-term debt. It may not be exactly  
7 dollar-for-dollar of the outstanding short-term debt,  
8 it could be a little bit greater than that, because,  
9 for example, if the short-term debt were \$202 million,  
10 we'd probably go out for maybe 210. It would be  
11 something that the investors would be more comfortable  
12 with. So, any excess at that particular time, you  
13 know, would be used for things like issuance costs,  
14 and, after that, would be invested in the Money Pool  
15 for PSNH's usage on an ongoing basis.

16 Q. Okay. And, when PSNH draws down short-term debt, that  
17 short-term debt can be used for any expenses that the  
18 Company has?

19 A. Correct. That's correct.

20 Q. Okay. And, you said that, when long-term debt is  
21 issued against short-term debt, we might issue a little  
22 bit more than the outstanding short-term debt. Is it  
23 possible we might also issue a little bit less?

24 A. That's possible also.

{DE 10-122} {09-13-10}

[WITNESS: Weber]

1 Q. And, are there factors in the market, in addition to  
2 PSNH's debt levels, are there market factors that might  
3 also impact the amount of a financing?

4 A. It could be impacted by the appetite of investors for  
5 PSNH debt, that type of secured -- senior secured debt.

6 Q. Okay. Commissioner Below asked you a couple of  
7 questions about individual items on the Company's  
8 construction budget.

9 A. Yes.

10 Q. And, you weren't familiar with the individual items.  
11 But could you comment on the Company's budgeting  
12 process generally?

13 A. Certainly. In general, the Company goes through,  
14 actually, it may be a two-step process during the year.  
15 Its first process is to develop a short-term budget for  
16 the next year. That is done in quite a bit of detail  
17 as you move into the budgeting process. Actually, the  
18 Company is in that process currently with that final  
19 budget coming out early next year. So, I'm not sure  
20 that the level of detail that was provided for 2010 may  
21 not be available yet for 2011, in terms of line items.

22 Q. Okay. And, in that budgeting process, is it your  
23 understanding that management scrutinizes those budget  
24 items?

{DE 10-122} {09-13-10}

[WITNESS: Weber]

1 A. That is my understanding, yes.

2 Q. There were also some questions about the impact of the  
3 financing on rates. And, is it your understanding that  
4 the weighted average cost of capital is the -- I'll  
5 call it the "financing" component of the rate equation?

6 A. That's my understanding.

7 Q. Okay. And, when the cost of debt issuance is less than  
8 the weighted average cost of capital, is it your  
9 understanding that the weighted average cost of capital  
10 for ratemaking does not increase?

11 A. That's my understanding.

12 MS. SHIVELY: Okay. I have no further  
13 questions.

14 CMSR. BELOW: I have another question  
15 that the redirect provoked.

16 BY CMSR. BELOW:

17 Q. The Company's -- PSNH's short-term debt as of June 30th  
18 of this year, do you know that amount?

19 A. I don't have it as of June 30th. I can tell you  
20 currently.

21 Q. Okay. Currently?

22 A. Actually, currently, PSNH has no short-term debt. It  
23 actually has cash, about \$14.4 million in the Money  
24 Pool. That number does change daily. It depends on

{DE 10-122} {09-13-10}

[WITNESS: Weber]

1 cash disbursements versus remittances for the Company.

2 Q. And, do you have a projection for what the short-term  
3 debt level will be at the close of the year?

4 A. Just a moment please. Actually, it's contained in one  
5 of the protected data requests, Q-STAFF-003, Page 4 of  
6 4. And, it's on the PSNH Cash Flow Statement. If you  
7 look at the very last line, that has the ending  
8 short-term debt balance.

9 Q. And, that 5-year forecast was as of February 18th, is  
10 that correct?

11 A. That's correct.

12 Q. And, have you -- has that been updated?

13 A. Not yet.

14 Q. Okay. And, you said, when you gave the answer to what  
15 it is presently, is that as of what date exactly is  
16 that?

17 A. That is as of last Friday.

18 Q. The 10th? September 10th?

19 A. September 9th, actually.

20 Q. Oh, September 9th.

21 A. It's actually Thursday. I apologize.

22 CMSR. BELOW: Okay. Thank you.

23 BY CMSR. IGNATIUS:

24 Q. Let me just clarifying one thing, on that exhibit you

{DE 10-122} {09-13-10}

[WITNESS: Weber]

1 were just looking at, confidential exhibit, Staff 003,  
2 that's part of Exhibit 4. The last -- the dates are by  
3 year, and you had said -- the question Commissioner  
4 Below asked was "as of the end of 2010". Is that what  
5 these dates are projecting, out to the end of each of  
6 these years?

7 A. Correct. You'll see it says "Ending cash" --

8 Q. Yes.

9 A. -- on short-term debt balance, that's at year-end.

10 CMSR. IGNATIUS: Okay. Thank you.

11 CHAIRMAN GETZ: Okay. Then, appears to  
12 be nothing further for the witness. Thank you very much.  
13 You're excused.

14 WITNESS WEBER: Thank you.

15 CHAIRMAN GETZ: Ms. Amidon.

16 MS. AMIDON: Yes. I'd like to ask Steve  
17 Mullen to be prepared to testify.

18 (Whereupon *Steven E. Mullen* was duly  
19 sworn and cautioned by the Court  
20 Reporter.)

21 STEVEN E. MULLEN, SWORN

22 DIRECT EXAMINATION

23 BY MS. AMIDON:

24 Q. Good morning, Mr. Mullen. Will you state your full

[WITNESS: Mullen]

1 name for the record please.

2 A. My name is Steven Mullen.

3 Q. And, what is your business address and employment?

4 A. My business address is -- I can't remember what the  
5 address is here -- 21 South Fruit Street, Suite 10, in  
6 Concord, New Hampshire. I'm employed by the New  
7 Hampshire Public Utilities Commission.

8 Q. And, what is your position?

9 A. I am the Assistant Director of the Electric Division.

10 Q. And, a quick summary of your duties in that regard?

11 A. I work with the Director of the Electric Division to  
12 manage the day-to-day operations of the Electric  
13 Division. I also analyze filings and make  
14 recommendations on those filings.

15 Q. Have you testified before this Commission prior to this  
16 point?

17 A. Yes, I have.

18 Q. Okay. And, do you recall that the Chairman marked for  
19 identification what was referred to as your testimony  
20 as "Exhibit 5"?

21 A. Yes.

22 Q. And, I believe that is the attachment to a cover letter  
23 signed by me that's dated August 20th, 2010, is that  
24 correct?

{DE 10-122} {09-13-10}

[WITNESS: Mullen]

1 A. That is correct.

2 Q. Okay. Do you have any additions or corrections to that  
3 testimony?

4 A. I have one very minor editorial correction.

5 Q. And proceed.

6 A. It would be on Page 7 of my testimony, Line 13. About  
7 two-thirds of the way through that sentence, there's  
8 the word "they". That should be "the", t-h-e.

9 Q. Thank you. Please summarize your testimony for the  
10 record.

11 A. My testimony, I recommend that, subject to some  
12 clarifications, which PSNH addressed this morning in  
13 Ms. Weber's testimony, that PSNH be authorized to, for  
14 its long-term debt request, as well as its short-term  
15 debt request made in its filing, as amended.

16 MS. AMIDON: I have no further  
17 questions. He's available for cross-examination.

18 CHAIRMAN GETZ: Okay. Thank you. Ms.  
19 Hatfield.

20 MS. HATFIELD: Thank you, Mr. Chairman.  
21 Good morning, Mr. Mullen.

22 WITNESS MULLEN: Good morning.

23 CROSS-EXAMINATION

24 BY MS. HATFIELD:

{DE 10-122} {09-13-10}

[WITNESS: Mullen]

- 1 Q. Looking at Page 7 of your testimony, near where you  
2 just corrected it, on Line 18 you refer to "PSNH's 2010  
3 capital budget". Do you see that language?
- 4 A. Yes, I do.
- 5 Q. And, as we discussed earlier, SEM-1, your first  
6 attachment, actually provides that in the form of a  
7 copy of a data request, is that correct?
- 8 A. Yes.
- 9 Q. And, then, in the next sentence you say, well,  
10 continuing actually on Line 18, you say that "budget  
11 includes hundreds of projects that appear to be  
12 consistent with PSNH's obligations in relation to  
13 owning and operating its distribution, transmission,  
14 and generation facilities." Do you see that?
- 15 A. Yes.
- 16 Q. Can you explain what you mean by "appear to be  
17 consistent"?
- 18 A. I reviewed the list of projects. And, being familiar  
19 with operations in distribution, transmission, and  
20 generation generally, as I looked through that list of  
21 projects, they all appear to be things not out of the  
22 ordinary for a utility operating in those lines of  
23 business.
- 24 Q. And, if you could turn please to Page 19 of your

{DE 10-122} {09-13-10}

[WITNESS: Mullen]

- 1 testimony, which is within SEM-1.
- 2 A. I'm there.
- 3 Q. And, on that page, Item 2020, do you see that line?
- 4 A. Yes, I do.
- 5 Q. Do you know what "Speech Move In-Move Out" refers to?
- 6 A. Yes, I do.
- 7 Q. What does it refer to?
- 8 A. That is part of PSNH's customer service system. That
- 9 will allow customers to either use the Web or the IVR
- 10 to do a "move in" or "move out" transaction.
- 11 Q. On Page 20 of your testimony, at the bottom or near the
- 12 bottom of the page, Item 2084, shows just over
- 13 \$6.6 million for the purchase of vehicles in the
- 14 distribution segment. Do you see that?
- 15 A. Yes, I do.
- 16 Q. Has Staff done any review or analysis of the vehicles
- 17 that PSNH is planning to purchase?
- 18 A. Not of particular individual vehicles, no.
- 19 Q. And, on Page 21, Item 2117 is described as "NEI NHPUC
- 20 Storm Assessment" for \$150,000 roughly. Do you see
- 21 that?
- 22 A. Yes, I do.
- 23 Q. Do you know what that charge is for in 2010?
- 24 A. That is for PSNH's share of the review that was done by

{DE 10-122} {09-13-10}

[WITNESS: Mullen]

1 the consultant used by the Commission in terms of  
2 reviewing the 2008 ice storm.

3 Q. Then, on Page 23, under "Generation", in the bottom  
4 section, Item Number 5019 is for "Station Improvements  
5 [at] Newington" for just over \$1.9 million. Do you see  
6 that line?

7 A. Yes, I do.

8 Q. Do you know what those include?

9 A. Well, it's a group of a number of projects. There's  
10 some work being done to the boiler, some work being  
11 done on the fire protection system, some control work,  
12 some work on the roof.

13 Q. And, do you know if those projects at Newington have  
14 been completed in 2010?

15 A. I don't know the specific dates, no.

16 Q. And, the Company is required to do a Continued Unit  
17 Operation Study of that particular plant in its IRP  
18 that's due this month, is that true?

19 A. That's correct.

20 Q. And, then, finally, on Page 24, about the middle of  
21 that section, Item 5050 is described as "Clean Water  
22 Act Compliance [at] Merrimack" for \$103,000 roughly.  
23 Do you know what that project entails?

24 A. Not specifically. But, knowing that Merrimack Station

{DE 10-122} {09-13-10}

[WITNESS: Mullen]

1 uses water from the Merrimack River, and it takes from  
2 there and discharges into it, I'm assuming it has  
3 something to do with that.

4 Q. And, I'm sorry, I did have one additional one. On Page  
5 25, under "Transmission", Item 6012 says "Construct New  
6 Direct Current Line Hydro-Quebec to New Hampshire" for  
7 just over a million dollars. Do you know anything  
8 about that project?

9 A. PSNH is involved in discussions to do -- put a new  
10 project in jointly with Hydro-Quebec. And, those funds  
11 will be towards that project.

12 Q. Did you review a similar list of any future projects  
13 beyond 2010?

14 A. No.

15 Q. Moving to Page 9 of your testimony, starting at Line 4,  
16 you describe the reasons that Ms. Weber testified that  
17 PSNH is seeking approval through the end of 2012, is  
18 that right?

19 A. Yes.

20 Q. And, do you agree with or support those reasons that  
21 she has provided?

22 A. Yes.

23 Q. And, do you -- I think you testified earlier that you  
24 support approval, so do you support the Company being

[WITNESS: Mullen]

1 authorized to borrow 500 million, and not just the 435  
2 that they have specifically identified?

3 A. Yes. I believe I address that in my testimony.

4 There's a question that starts on the bottom of Page 7,  
5 and the answer begins on Line 2 of Page 8. As I say  
6 there, I don't believe that, given the two year time  
7 period, that the request is unreasonable.

8 Q. And, do you know if PSNH -- I think I heard Ms. Weber  
9 testify that both of the issuances are being planned  
10 for 2011. Is that what you heard as well?

11 A. My understanding is that the first one would be in 2011  
12 and the second would be in 2012.

13 Q. And, is that one reason that you have recommended that  
14 the Commission require them to file a report at the end  
15 of 2011?

16 A. Yes.

17 Q. So that it would happen before the second issuance?

18 A. That's correct.

19 Q. Now, on Page 9, at the bottom of the page is where you  
20 begin to discuss that recommendation, is that right?

21 A. Yes.

22 Q. And, then, on the next page, on Page 10, you say "I  
23 view this as an informational status filing that would  
24 provide useful information", is that correct?

[WITNESS: Mullen]

1 A. Yes.

2 Q. So, if the Commission approves the Company's request,  
3 the Company wouldn't be seeking any additional  
4 approvals at that time, it would purely be for  
5 informational purposes?

6 A. I would see it, if anything, for informational  
7 purposes. If the Company were to seek something beyond  
8 what the Commission -- whatever parameters the  
9 Commission might issue in this case, then that would,  
10 to me, necessitate a new filing.

11 Q. Further down on Page 10, starting at Line 16, you're  
12 talking about the terms and conditions of the proposed  
13 debt. Do you see that?

14 A. Yes.

15 Q. And, on Line 20, you say that they "allow for degrees  
16 of flexibility", is that right?

17 A. Yes.

18 Q. And, can you talk about the need for flexibility?

19 A. Well, and as PSNH has testified, the timeframes for  
20 these will be dependent somewhat on the buildup of  
21 short-term debt. So, the dates aren't written in stone  
22 and the actual amounts aren't written in stone. And,  
23 so, given that, and right now we're in September of  
24 2010, and given that conditions in the financing

{DE 10-122} {09-13-10}

[WITNESS: Mullen]

1 markets can change, that would -- that would  
2 necessitate some flexibility consistent with prior  
3 Commission orders for PSNH financings.

4 Q. And, is it your view that that amount of flexibility is  
5 appropriate for all electric utilities or is there  
6 something special about PSNH that justifies them having  
7 that flexibility?

8 A. When you say "that amount", could you be more specific?

9 Q. Well, the fact that we -- "the dates and the amounts  
10 are not written in stone", as I think you just said.

11 A. Well, each company is going to make a filing based on  
12 its needs and its requirements. So, it's really hard  
13 to say what's appropriate for PSNH in this case and how  
14 to apply it to another utility.

15 Q. Would you describe this proposed financing as  
16 "routine"?

17 A. Yes. Other than the requested two year time frame.

18 Q. And, I believe I heard Ms. Weber testify on redirect  
19 her view that "short-term debt can be used for any  
20 purpose." Did you hear her say that?

21 A. Yes.

22 Q. Do you agree with that?

23 A. That's basically one of the cash sources of the Company  
24 to operate on a day-to-day basis. And, so, yes.

{DE 10-122} {09-13-10}

[WITNESS: Mullen]

1 Q. So, short-term debt can be used for any purpose,  
2 including large projects, and there really are no  
3 limitations on short-term debt?

4 A. Well, I think, if it's used for a large project, that's  
5 just an interim funding source, until they later  
6 replace the short-term debt with long-term debt.

7 Q. And, I have to follow up on Commissioner Below's  
8 question, about whether you believe the filing is  
9 consistent with the Company's most recent long range  
10 Integrated Resource Plan?

11 A. Well, that analysis is typically done in cases where  
12 there's a rate change. There is no rate change in this  
13 filing, so that wasn't part of my analysis in this  
14 proceeding.

15 Q. So, when might customers see a rate change from the  
16 projects that are financed with the funds at issue in  
17 this case?

18 A. Well, depends on which projects. If it's generation,  
19 and it's a 2010 project, that that would be part of  
20 PSNH's 2010 Energy Service rate. If it's a  
21 distribution project, well, we have a recently approved  
22 Settlement Agreement in that case. However, there is  
23 provision for adjustments for certain capital additions  
24 there. So, to the extent certain of those capital

{DE 10-122} {09-13-10}

[WITNESS: Mullen]

1 additions would qualify for adjustment, consistent with  
2 the terms of that Settlement Agreement, that could  
3 happen, I'm trying -- the next one, I believe, would be  
4 July 1st of next year. For transmission, there's an  
5 annual filing to update PSNH's transmission rate. And,  
6 so, -- and, that's for July 1st of each year as well.  
7 So, the next impact that could happen would be on  
8 July 1st.

9 Q. And, at those times when rates change, that's when the  
10 in-depth review is done on those particular projects,  
11 before they go into rates?

12 A. That's correct.

13 Q. And, what's the difference between that and what the  
14 Commission calls the "reconciliation" docket, the  
15 look-back or the prudence review?

16 A. Well, if you look -- if you're talking about the  
17 generation projects, the rate is initially set based on  
18 PSNH's expected costs of owning and operating its  
19 plants, along with the supplemental purchases. That is  
20 later trued up through the reconciliation filings. So,  
21 the actual costs are looked at at that point, and  
22 that's when they're actually determined to be prudent.

23 Q. Ms. Weber earlier testified about -- I believe about  
24 the order of priority of how they would go about

[WITNESS: Mullen]

1 raising the funds. Do you recall that?

2 A. Yes.

3 Q. And, she specifically said that was in response to  
4 something that you had raised in your testimony where  
5 you were seeking additional information, is that right?

6 A. Yes.

7 Q. And, were you satisfied with the order of priority that  
8 she provided?

9 A. Yes.

10 MS. HATFIELD: Thank you. I have  
11 nothing further.

12 CHAIRMAN GETZ: Thank you. Ms. Shively.

13 BY MS. SHIVELY:

14 Q. Mr. Mullen, could you turn to Page 7 of your testimony.  
15 On Lines 20 through 22, you indicate that your  
16 "comments should not be construed in any way as  
17 comments regarding the prudence of any individual  
18 project."

19 A. That's correct.

20 Q. And, is it your experience that the prudence of  
21 individual projects is customarily reviewed in a  
22 financing docket?

23 A. No.

24 MS. SHIVELY: I have no further

[WITNESS: Mullen]

1 questions.

2 CHAIRMAN GETZ: Thank you. Commissioner  
3 Below.

4 CMSR. BELOW: Thank you. Good morning,  
5 Mr. Mullen.

6 WITNESS MULLEN: Good morning.

7 BY CMSR. BELOW:

8 Q. On Page 7 of your testimony, at Lines 8 and 9, you  
9 summarize PSNH's explanation for its use of the  
10 proceeds as being for "repaying existing short-term  
11 debt, financing ongoing capital expenditures and to pay  
12 issuance costs." In your review of the proposal, did  
13 you come across any quantitative information on use of  
14 the proceeds for working capital or O&M costs?

15 A. I don't recall specific amounts for those, no.

16 Q. So, is it your view that those are, to the extent they  
17 might, were identified they're small or minimal,  
18 compared to financing ongoing capital expenditures and  
19 repaying existing short-term debt?

20 A. Well, I would say that they're probably not the  
21 primary, the primary uses of the funds.

22 CMSR. BELOW: Okay. That's all.

23 CHAIRMAN GETZ: Any redirect, Ms.

24 Amidon?

[WITNESS: Mullen]

1 MS. AMIDON: No. Thank you.

2 CHAIRMAN GETZ: Okay. Then, the witness  
3 is excused. Thank you, Mr. Mullen. Is there anything  
4 else we need to address, other than whether the exhibits  
5 should be moved into evidence and opportunities for  
6 closings? Ms. Hatfield.

7 MS. HATFIELD: Thank you, Mr. Chairman.  
8 Before the break, I thought that you asked the Company a  
9 question about a follow-up to Commissioner Ignatius's  
10 question about providing future year information, and I  
11 wasn't sure where that stands.

12 CHAIRMAN GETZ: Ms. Shively.

13 MS. SHIVELY: I believe Ms. Weber  
14 addressed that on the witness stand, but we do not have  
15 that level of detail at that time. That comes from the  
16 budgeting process. And, yes, that won't be completed  
17 until, yes, early 2011. That's actually why the filing of  
18 the Company's construction budget is in the first quarter  
19 of each year.

20 CHAIRMAN GETZ: Okay. Thank you. Okay,  
21 let's turn to the exhibits. We have five exhibits marked  
22 for identification. If I understand correctly, there's no  
23 objection to the admission of Exhibits 1, 2, and 5, is  
24 that correct?

{DE 10-122} {09-13-10}

1 (Atty. Hatfield nodding in the  
2 affirmative.)

3 CHAIRMAN GETZ: Inasmuch as there's no  
4 objection to their admission, they will be admitted as  
5 full exhibits. We have pending objections to Exhibits 3  
6 and 4 from the Office of Consumer Advocate. As I  
7 understand, from reviewing Exhibit 3, it appears that  
8 questions Q-TECH-001, Q-TECH-004, and STAFF-012 and  
9 STAFF-013 are attached to Mr. Mullen's Exhibit 5. So, I  
10 take it, Ms. Hatfield, there's no objection to their  
11 admission?

12 MS. HATFIELD: That's correct. Thank  
13 you.

14 CHAIRMAN GETZ: So, we will -- Well,  
15 they're already in evidence as part of Exhibit 5. So, --

16 CMSR. BELOW: Mr. Chairman, it's not  
17 clear to me that the one labeled "Q-TECH-001" is attached  
18 to Mr. Mullen's testimony. I'm a little confused about  
19 that. If it is, perhaps somebody could point me to the  
20 page?

21 MS. HATFIELD: Page 28 of Mr. Mullen's  
22 testimony, I believe.

23 CMSR. BELOW: I see that now. Thank  
24 you.

1 CHAIRMAN GETZ: Okay. Well, let me just  
2 clarify then, so what's at dispute in Exhibit 3 then is  
3 STAFF-004 and Supplemental 01 to 004, 007, and  
4 Supplemental 01 to 007, 008, 009, and 010, is that  
5 correct?

6 MS. HATFIELD: Yes.

7 CHAIRMAN GETZ: Okay. Then, let's take  
8 this one step at a time. And, did you want to further  
9 address your objection, Ms. Hatfield?

10 MS. HATFIELD: I would just reiterate  
11 that my objection is that the Company is basically seeking  
12 to amend or supplement its filing, which it's already had  
13 a chance to do once, and which it could have done in  
14 response to Mr. Mullen's testimony that was filed on  
15 August 20th. And, I don't think it's a proper way for the  
16 Company to supplement its filing.

17 CHAIRMAN GETZ: Earlier Ms. Shively I  
18 guess made an argument that "there's no surprise" or, I  
19 take it, unfair advantage by admission. Do you want to  
20 address that argument?

21 MS. HATFIELD: I would agree.  
22 Obviously, if you look at the dates on these items,  
23 they're dated well before today. But the Company bears  
24 the burden in this case. And, as you'll hear in my

1 closing, I think that the Commission should look at the  
2 record that the Company has submitted, which, obviously,  
3 is supplemented to some extent by Mr. Mullen's testimony.  
4 But that, at some point, the Company needs to stop trying  
5 to supplement their case in order to show that they have  
6 met their burden, which we still don't believe that they  
7 have done, but it really is not a proper use of data  
8 responses, especially those that are sponsored by someone  
9 who is not even a witness in the case, in order for the  
10 Company to try to persuade the Commission that they have  
11 met their burden.

12 CHAIRMAN GETZ: Thank you. Ms. Hatfield  
13 -- or, Ms. Shively, do you want an opportunity to respond?

14 MS. SHIVELY: I think I would just  
15 reiterate my previous comments. The first one being that  
16 the Commission's practice has not been, to my knowledge,  
17 in the past, and certainly not in any of the financing  
18 cases that I've done in the last 30 years, to not allow  
19 the admission of data requests that were clarifying  
20 questions asked by Staff and OCA to help flesh out the  
21 Company's information. And, I would think that, to not  
22 allow that in this case would, I mean, that would  
23 certainly be very surprising to me, and I would be the one  
24 who is suffering from the element of surprise.

1 I mean, this material has been available  
2 for a very long time. OCA has had numerous opportunities  
3 in technical sessions to ask questions about it or to  
4 object to it. I'm surprised to hear them objecting to it  
5 today.

6 CHAIRMAN GETZ: Ms. Amidon, did you have  
7 any argument on this point?

8 MS. AMIDON: No.

9 CHAIRMAN GETZ: Any questions?

10 (No verbal response)

11 CHAIRMAN GETZ: Okay. Let's -- no  
12 further questions for the Bench. Let's then address  
13 Exhibit 4. Is there anything additional, Ms. Hatfield, in  
14 Exhibit 4 that you'd like to state?

15 MS. HATFIELD: No. The same arguments  
16 apply to Exhibit 4.

17 CHAIRMAN GETZ: Ms. Shively?

18 MS. SHIVELY: The same argument.

19 CHAIRMAN GETZ: Well, let's -- I think  
20 the answer to the objection is driven largely by taking a  
21 case-by-case review of each of the responses. And, I  
22 think it's largely up to our discretion about whether to  
23 admit these into evidence. So, I would propose that we  
24 just take the objection under advisement and make that

1 part of our ruling in this case. Commissioner Ignatius.

2 CMSR. IGNATIUS: I have no problem with  
3 that, but I did want to ask one question of Mr. Mullen.  
4 In development of your testimony, did you review all of  
5 the data requests that we're looking at here, in Exhibit  
6 3, specifically, first look at that?

7 MR. MULLEN: Yes, I did.

8 CMSR. IGNATIUS: Did you rely on them in  
9 the development of your positions that you testified to  
10 today?

11 MR. MULLEN: I would have to look at the  
12 individual ones. I may have relied on some more than  
13 others, maybe different degrees of reliance, but they all  
14 informed my opinion.

15 CMSR. IGNATIUS: And, on the documents  
16 that are as a group identified as "Exhibit 4", the same  
17 questions?

18 MR. MULLEN: Yes.

19 CHAIRMAN GETZ: All right. So, then,  
20 we'll take that issue under advisement, with respect to  
21 Exhibits 3 and 4.

22 Opportunities for closing? I'll begin  
23 with Ms. Hatfield.

24 MS. HATFIELD: Thank you, Mr. Chairman.

1 As the Commission knows, RSA 369 requires that the  
2 Commission must find that any proposed long-term debt  
3 issued by a utility is consistent with the public good and  
4 that "such approval shall extend to the amount of the  
5 issue authorized and the purpose or purposes to which the  
6 securities or the proceeds thereof are to be applied."

7 And, I just quoted from RSA 369:1.

8                   Unfortunately, the Company has not  
9 provided adequate information on the terms of the proposed  
10 financing in their filing, either their original filing or  
11 their supplemental filing, and they also haven't provided  
12 sufficient information on the proposed uses of the funds.  
13 Therefore, we believe that the Company quite simply has  
14 not met its burden under RSA 369, which, as I just said,  
15 is to provide information on both the uses and the terms  
16 of the proposed long-term debt in order for the Commission  
17 to determine that both are in the public good.

18                   In addition, any supplemental  
19 information that the Company provided today, and/or if the  
20 Commission does allow the Company to put in its responses  
21 to data requests, we would urge that the Commission give  
22 those less weight, because they were not part of the  
23 Company's case. And, as we all know, the Company has the  
24 burden of proof in these cases.

1                   One specific area that I think bears  
2 mentioning is something that relates to Commissioner  
3 Below's question about the "alternatives analysis". And,  
4 there is no testimony in the record that any of the  
5 projects that will be funded by this up to \$500 million  
6 have been subject to any analysis as to whether they are  
7 necessary or required for the provision of safe and  
8 reliable service to customers, not a single one. And,  
9 that should be taken into consideration by the Commission  
10 in its review of this case.

11                   There's been some discussion about a  
12 prudence review and how that happens after-the-fact. But  
13 I do need to point out that it's very difficult for  
14 ratepayers when, at this point, we're told "we can't do  
15 that review now, we do it after-the-fact." But, then,  
16 when it's time to do the prudence preview in the  
17 reconciliation hearing, we often hear "well, you know,  
18 it's difficult to put ourselves back in the position when  
19 PSNH made the decision." And, so, the result is that we  
20 never actually get the review of "are these hundreds of  
21 millions of dollars necessary for the provision of safe  
22 and reliable service?"

23                   If the Commission, despite this, does  
24 approve the Company's request for a two year period for up

1 to \$500 million, it should do so only after modifying the  
2 request so that it is for one year, and that it is for a  
3 maximum of \$435 million, which is the amount that the  
4 Company has told us they actually need.

5 And, we would also respectfully suggest  
6 that this is not a routine filing, and therefore requires  
7 much more of an in-depth analysis than that recently  
8 employed by the Commission, including in Order Number  
9 25,069, in DE 09-236, in which Unitil made a request for  
10 \$15 million in long-term debt. We would suggest that this  
11 is a different case and requires a different level of  
12 detail.

13 And, finally, we would have to  
14 respectfully disagree with the Company that it is enough  
15 to simply say that management scrutinizes the budgets, and  
16 that they believe the money is necessary. Quite simply,  
17 the statute requires more than just someone from the  
18 Company saying that they believe it's necessary. Thank  
19 you.

20 CHAIRMAN GETZ: Thank you. Ms. Amidon.

21 MS. AMIDON: Thank you. Staff has  
22 conducted a review of this filing, and, based on that  
23 review, recommends that the Commission approve the  
24 proposed issuance of long-term debt as consistent with the

1 public good. There is no material impact on rates, the  
2 terms and conditions are reasonable, and the proposed use  
3 of the funds is to support the operations of a public  
4 utility. In addition, the proposed financing will not  
5 have an adverse effect on the Company's capital structure.

6 In this proceeding, the Company proposes  
7 to use long-term financings to refinance its short-term  
8 debt previously incurred in the ordinary course of  
9 business, which includes financing capital expenditures  
10 for the Company's transmission, distribution, and  
11 generation businesses, funding working capital, including  
12 the possibility of unforeseen or unpredictable events,  
13 such as emergency storm restoration, and for paying  
14 issuance costs.

15 The financing is in the nature of a  
16 routine financing, similar to that approved by the  
17 Commission in Docket DE 09-033, and I can reference Order  
18 Number 25,050, with the exception in this case that the  
19 Company has asked the Commission for authorization to  
20 issue debt over a 24-month period instead of 12 months.

21 Mr. Mullen, in his testimony,  
22 recommended a reporting requirement for PSNH to address  
23 the concerns about a 24-month financing period. And,  
24 therefore, we recommend that the Commission approve the

1 financing petition as modified by PSNH, and include in its  
2 order that the Company must comply with the  
3 recommendations of Mr. Mullen regarding reporting that's  
4 contained in his testimony.

5 CHAIRMAN GETZ: Thank you. Ms. Shively.

6 MS. SHIVELY: Thank you, Mr. Chairman.

7 The Commission's obligation in this proceeding is to  
8 determine if, under all the circumstances, the requested  
9 financing is in the public good. And, the circumstances  
10 in this case are that we are seeking approval for routine  
11 financings totaling 500 million over an approximately two  
12 year period, for the principal purposes of retiring  
13 short-term debt and for working capital needs. We have  
14 provided draft documents for these financings, we have  
15 provided a reasonable range of principal terms and  
16 conditions.

17 The financings are related to a variety  
18 of generation, transmission, distribution expenditures  
19 that are identified in detail in the 2010 construction  
20 budget, and similar future expenditures will be identified  
21 in the 2011 and 2012 construction budget that's routinely  
22 filed with the Commission in the first quarter of every  
23 year.

24 The suggestion that a financing

1 proceeding is the appropriate place to review the prudence  
2 of individual projects is not what has been the  
3 Commission's practice in the past, it's not typically the  
4 practice of other commissions across the country. It  
5 doesn't preclude a real prudence review when those  
6 projects are sought to be put in rate base. I'm, quite  
7 frankly, shocked at the OCA's suggestion that "a prudence  
8 review is not available."

9 The alternative to this financing is the  
10 infusion of higher cost equity capital, which is more  
11 expensive to ratepayers, and not suitable as a source of  
12 funding over a long term. We have indication in the  
13 testimony in this case that the rate impact of this  
14 financing is not material and the difference is extremely  
15 small.

16 As Ms. Weber indicated, the Company's  
17 position is that the proposed authorizations sought are in  
18 the public good, and that the Company is entitled to issue  
19 the securities as proposed.

20 And, we would ask for a prompt  
21 Commission decision in this case so that the Company has  
22 the ability to access the financial markets, should that  
23 become necessary.

24 CHAIRMAN GETZ: Okay. Well, then, we

1 will close the hearing, take the evidence and arguments  
2 under advisement, and as well as the arguments with  
3 respect to the admission of evidence. Thank you,  
4 everyone.

5 (Whereupon the hearing ended at 12:07  
6 p.m.)

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