

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

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE  
d/b/a EVERSOURCE ENERGY**

**PETITION FOR APPROVAL OF FINANCING**

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

**DOCKET NO. DE 21-XXX**

**March 18, 2021**

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1 **I. INTRODUCTION**

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

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

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

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

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

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

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

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

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

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

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

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

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

10 A. [Witness O'Neil] Yes. I have testified in twenty-nine previous financing-related regulatory  
11 proceedings including before the New Hampshire Public Utilities Commission (the  
12 "Commission") in:  
13 Public Service Company of New Hampshire, DE 20-072 (Petition For Approval of Financing);  
14 Public Service Company of New Hampshire, DE 19-045 (Petition For Approval of Financing);  
15 Public Service Company of New Hampshire, DE 17-096 (Petition for Finding of Fact and  
16 Issuance of Financial Order); Public Service Company of New Hampshire, DE 14-238  
17 (Determination Regarding PSNH's Generation Assets) and Public Service Company of New  
18 Hampshire, DE 13-156 (Petition for Approval of Financing Transactions).

19 [Witness Dzialo] Yes. I have testified in five previous financing-related regulatory proceedings  
20 including before the Commission in: Public Service Company of New Hampshire, DE 20-072  
21 (Petition For Approval of Financing) and Public Service Company of New Hampshire, DE 19-  
22 045 (Petition For Approval of Financing).

1 **II. PURPOSE OF TESTIMONY**

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

3 A. The purpose of our testimony is to explain PSNH's Petition to issue long-term debt securities in  
4 an aggregate principal amount not to exceed \$350 million (the "Long-Term Debt") during a  
5 period from the date of the Commission's order in this docket through December 31, 2021 (the  
6 "Authorization Period").

7 **III. DESCRIPTION OF PROPOSED FINANCING**

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

9 A. During the Authorization Period, PSNH proposes to issue and sell up to \$350 million in  
10 aggregate principal amount of Long-Term Debt in the form of first mortgage bonds with a  
11 maturity ranging from 1 to 30 years. The exact amount, maturity, financing structure, terms and  
12 conditions, redemption provisions and coupon rate will be determined at the time of pricing  
13 depending on prevailing market conditions.

14 **Q. PSNH requests the authority to issue up to \$350 million of Long-Term Debt during the**  
15 **Authorization Period in order to satisfy its projected financing needs. Could you please**  
16 **describe how this amount was determined?**

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

- 19
- 2021 capital expenditures are forecasted to be approximately \$309 million.

20

  - The Company's \$160 million 3.20% first mortgage bonds, Series R, will mature on  
21 September 1, 2021 and are redeemable at par on or after June 1, 2021.

22

  - At December 31, 2021, the Company's short-term debt balance was \$46.3 million.

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

2 A. In order to achieve favorable financing terms, PSNH seeks flexibility in issuing the Long-Term  
3 Debt, such that this debt may be distributed in either the public or private markets. However,  
4 notwithstanding this flexibility, PSNH proposes the following parameters for such issuance:

5 1) Aggregate principal amount of Long-Term Debt issued during the Authorization Period not  
6 to exceed \$350 million.

7 2) The Long-Term Debt will be in the form of secured first mortgage bonds.

8 3) Debt maturity will range from 1 to 30 years.

9 4) Coupon rate to be consistent with market rates for an instrument of similar maturity and risk  
10 at the time of issuance, with conditions that the credit spread above a fixed rate benchmark  
11 (i.e., applicable Treasury Bond) not to exceed 400 basis points (4.00 percent).

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

13 A. The proceeds of the issuance of up to \$350 million in Long-Term Debt will be used to: (a)  
14 refinance outstanding short-term debt; (b) finance the Company's distribution and transmission  
15 businesses capital expenditures; (c) pay at maturity, or pursuant to the exercise of the early par  
16 call on or after June 1, 2021, the Company's \$160,000,000 3.20% First Mortgage Bonds, Series  
17 R, due September 1, 2021 and (d) fund working capital needs.

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

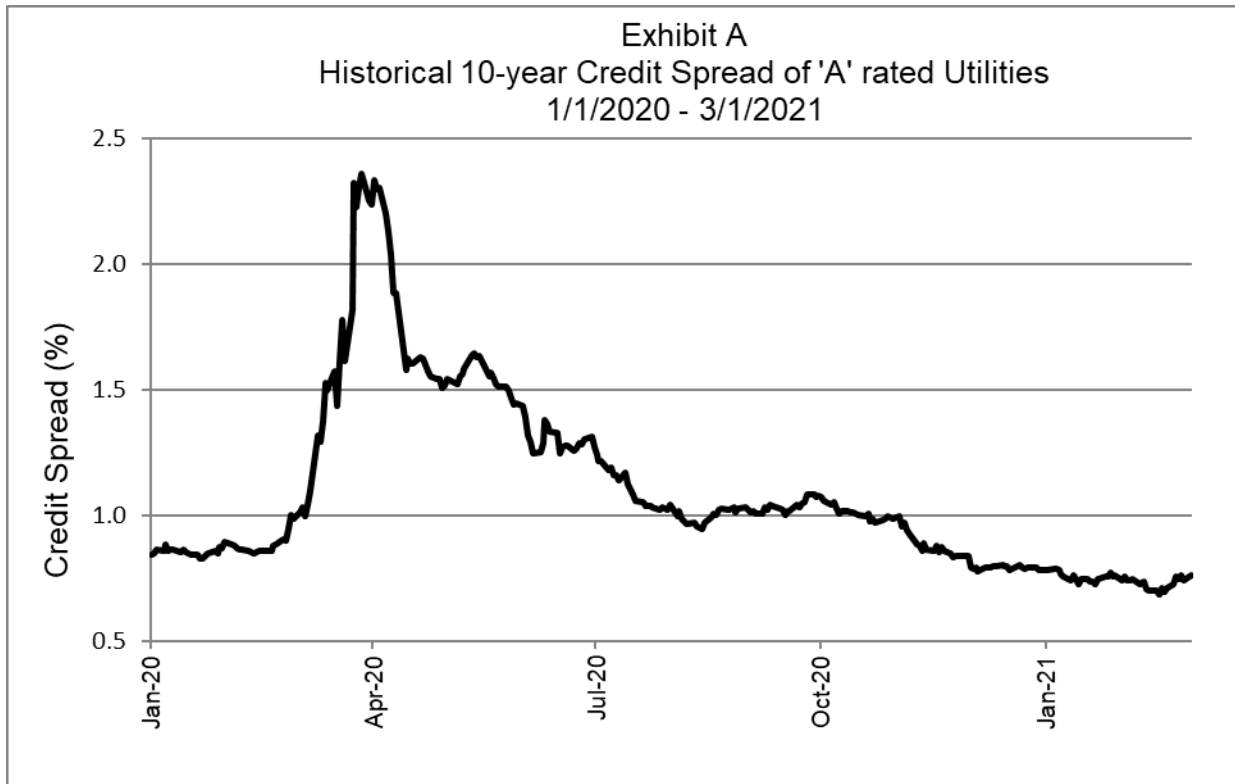
3 A. The following table reflects current indicative pricing of secured public debt as of March 1,  
4 2021.

<b>Secured Institutional Debt</b>	<b>10-year</b>	<b>30-year</b>
U.S. Treasury Yield	1.42%	2.19%
+ Credit Spread	0.60%	0.83%
= Coupon Rate	2.02%	3.02%

5 (Source: Citi)

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

7 A. In determining the requested credit spread of 400 basis points, the Company considered current  
8 market rates for similarly rated securities as well as historical rates. Given that the Company is  
9 proposing a financing plan through December 31, 2021, the plan must include sufficient  
10 flexibility to address changing market conditions and volatile markets. Exhibit A, which shows  
11 the historical 10-year credit spread of "A" rated utilities from January 1, 2020 through March 1,  
12 2021, illustrates the volatility of credit spreads. The effect that the COVID-19 pandemic initially  
13 had on the financial markets was dramatic. During just the short period between February 12,  
14 2020 and March 27, 2020, the credit spread for "A" rated utility bonds increased 151 basis  
15 points, from 0.85% to 2.36%.



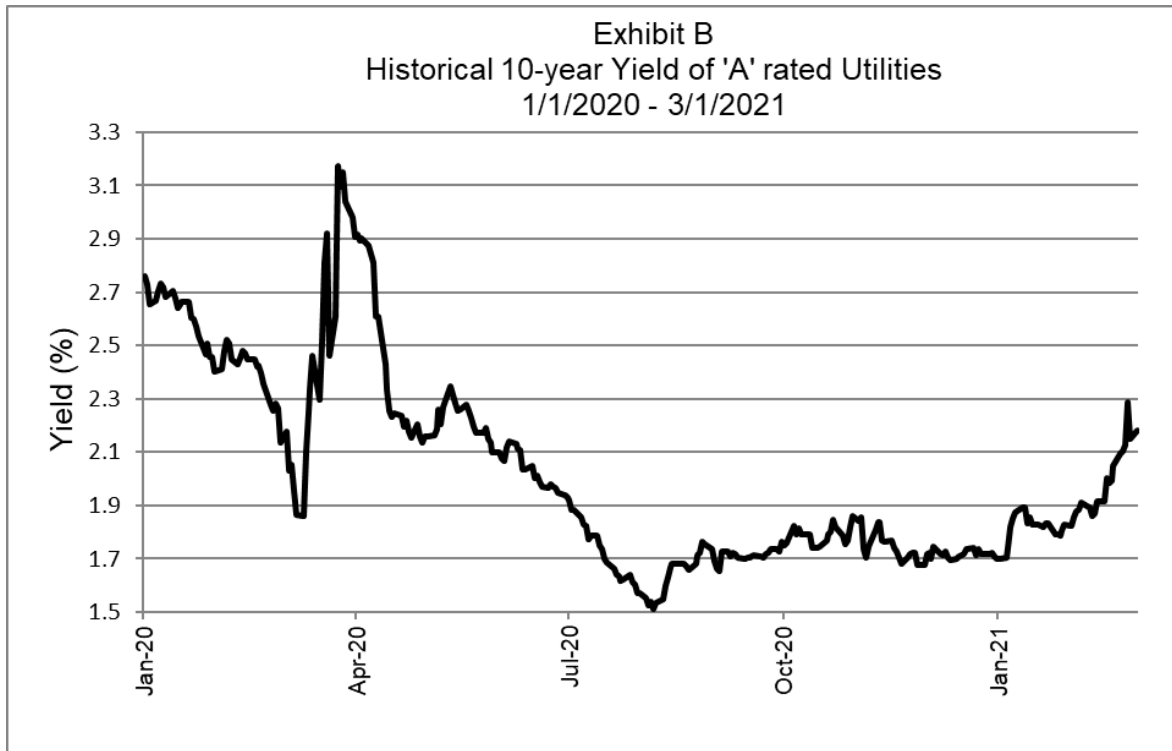
1  
2 (Source: Bloomberg)

3 A maximum authorized credit spread of 400 basis points (4.00%) will provide PSNH with  
4 flexibility in the event of unanticipated widening of credit spreads between now and the time of  
5 issuance due to any uncertainty or volatility in the capital markets. However, the Long-Term  
6 Debt will be issued at prevailing credit spreads, which are determined by investors at the time of  
7 pricing.

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

9 A. Exhibit B illustrates historic 10-year yields from January 1, 2020 through March 1, 2021 for “A”  
10 rated utilities. Over that time frame yields for “A” rated utilities have fluctuated between 1.51  
11 percent and 3.17 percent.





1  
2 (Source: Bloomberg)

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

4 A. No. PSNH's regulatory five-quarter average equity ratio, as of December 31, 2020, was  
5 approximately 57%. PSNH expects to maintain a similar regulatory equity ratio during 2021.

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

8 PSNH's FFO to debt ratio, as of December 31, 2020, was 23.6%. PSNH forecasts the ratio to be  
9 approximately 26.0% percent as of December 31, 2021. PSNH doesn't expect the Long-Term  
10 Debt being requested in this application or the corresponding change in its FFO to debt ratio to  
11 impact its credit ratings.

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

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

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

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

7 **Q. Please describe PSNH's debt maturity profile as of December 31, 2020.**

8 A. The table below details the principal amount of long-term debt outstanding and maturity date of  
9 each series of debt as of December 31, 2020:

<b>First Mortgage Bond Series</b>	<b>Amount Issued</b>	<b>Maturity Date</b>
2005 Series M	\$50,000,000	10/5/2035
2011 Series Q	\$122,000,000	6/1/2021
2011 Series R	\$160,000,000	9/1/2021
2013 Series S	\$325,000,000	11/1/2023
2019 Series T	\$300,000,000	7/1/2049
2020 Series U	\$150,000,000	9/1/2050
<b>Total Long-term Debt</b>	<b>\$1,107,000,000</b>	

10

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

12 A. The following table lists the estimated fees associated with the Company's most likely financing  
13 structure in today's market environment, which would be \$350 million of 10-year first mortgage  
14 bonds issued to institutional investors in the public market.

<b>Fee</b>	<b>Amount</b>
Underwriting Fee <sup>1</sup>	2,275,000
Rating Agencies	708,750
Legal	55,000
Miscellaneous <sup>2</sup>	151,250
<b>Total</b>	<b>\$ 3,190,000</b>

1. Underwriting fees are based on an anticipated 0.65% commission for a ten-year debt issuance.

2. Includes estimated fees for registering the proposed debt with the Securities and Exchange

1 Commission, printing, external auditors and up-front trustee acceptance fees.

2 **IV. MORTGAGING OF PROPERTY**

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

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

6 **V. CONCLUSION**

7 **Q. Do you believe the proposed issuance of up to \$350 million of Long-Term Debt and the**  
8 **mortgaging of property are in the public good?**

9 A. Yes. PSNH believes and, therefore, alleges that the securities to be issued will be consistent  
10 with the public good and that it is entitled to issue said securities under RSA 369 for the  
11 purposes set forth herein and in its Petition. We further attest to the accuracy of the information  
12 set forth in the Petition.

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

14 A. PSNH respectfully requests that the Commission issue an Order *Nisi* approving the financing  
15 proposal as soon as possible but by no later than May 15, 2021.

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

17 A. Yes, it does.