

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

**DOCKET NO. DE 22-049**

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

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

**October 11, 2022**

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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  
4              Drive, Westwood, Massachusetts.

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

7

8    **Q.        Have you previously submitted testimony in this proceeding?**

9    A.        Yes. On August 24, 2022, we submitted direct, pre-filed joint testimony that opened this  
10             docket. In that testimony, we described our educational and professional backgrounds.

11

12   **II.        PURPOSE OF TESTIMONY**

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

14   A.        On August 24, 2022, Public Service Company of New Hampshire dba Eversource  
15              Energy ("PSNH" or the "Company") filed a petition with the New Hampshire Public  
16              Utilities Commission (the "Commission") requesting approval of the issuance of long-  
17              term debt securities in an aggregate principal amount not to exceed \$600 million (the  
18              "Long-term Debt") during a period from the date of the Commission's order becoming  
19              final in this docket through December 31, 2023. The purpose of our testimony is to  
20              provide an update on current conditions in the debt capital markets.

**III. UPDATE ON CURRENT DEBT CAPITAL MARKET CONDITIONS**

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

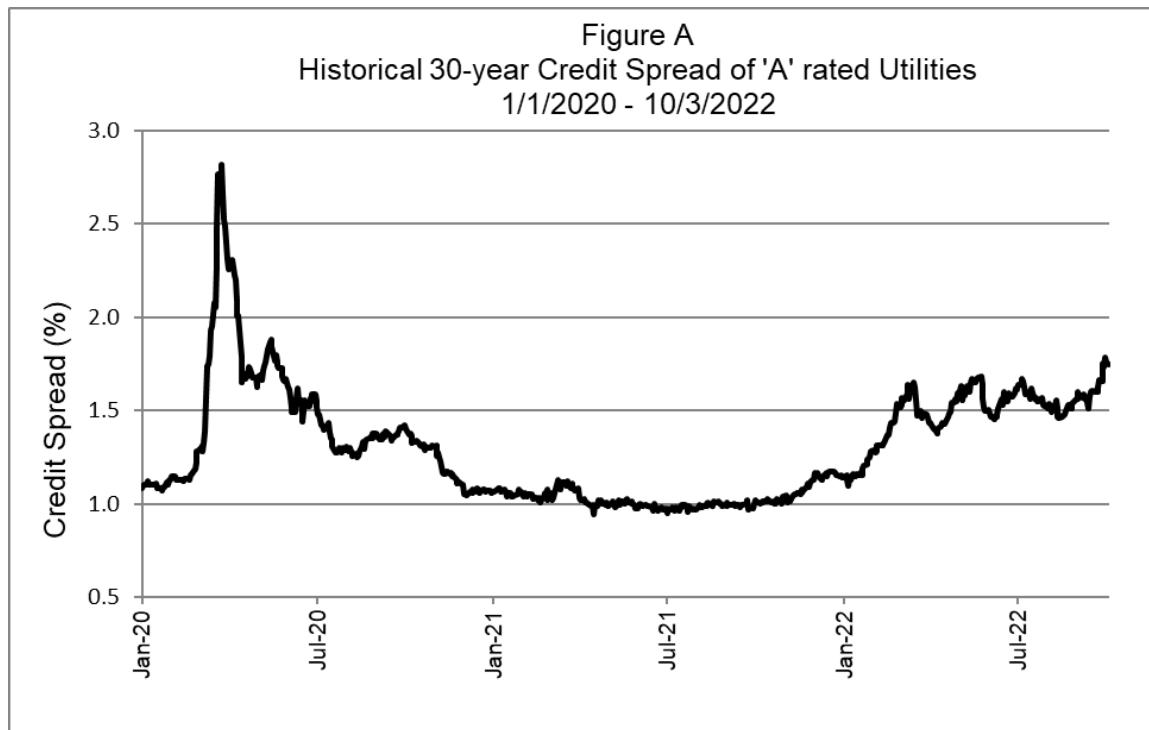
A. The following table reflects current indicative pricing of secured public debt as of September 28, 2022. Between August 1, 2022 and September 28, 2022, the estimated coupon rate of secured 30-year debt has increased from 4.37% to 5.27%.

<b>Secured Institutional Debt</b>	<b>10-year</b>	<b>30-year</b>
U.S. Treasury Yield	3.73%	3.72%
+ Credit Spread	1.25%	1.55%
= Coupon Rate	4.98%	5.27%

(Source: RBC)

**Q. Please provide an update on utility credit spreads.**

A. The graph in Figure A below shows the historical 30-year credit spread of “A” rated utilities from January 1, 2020 through October 3, 2022. While credit spreads have trended upward during 2022, they remain lower than at the onset of the COVID-19 pandemic. The effect that the COVID-19 pandemic initially had on the financial markets was dramatic. During just the short period between February 24, 2020 and March 24, 2020, the credit spread for “A” rated utility bonds increased 164 basis points, from 1.18% to 2.82%.



(Source: Bloomberg)

**Q. Does the Company still believe that credit spread authority of up to 400 basis points (4.00%) is appropriate?**

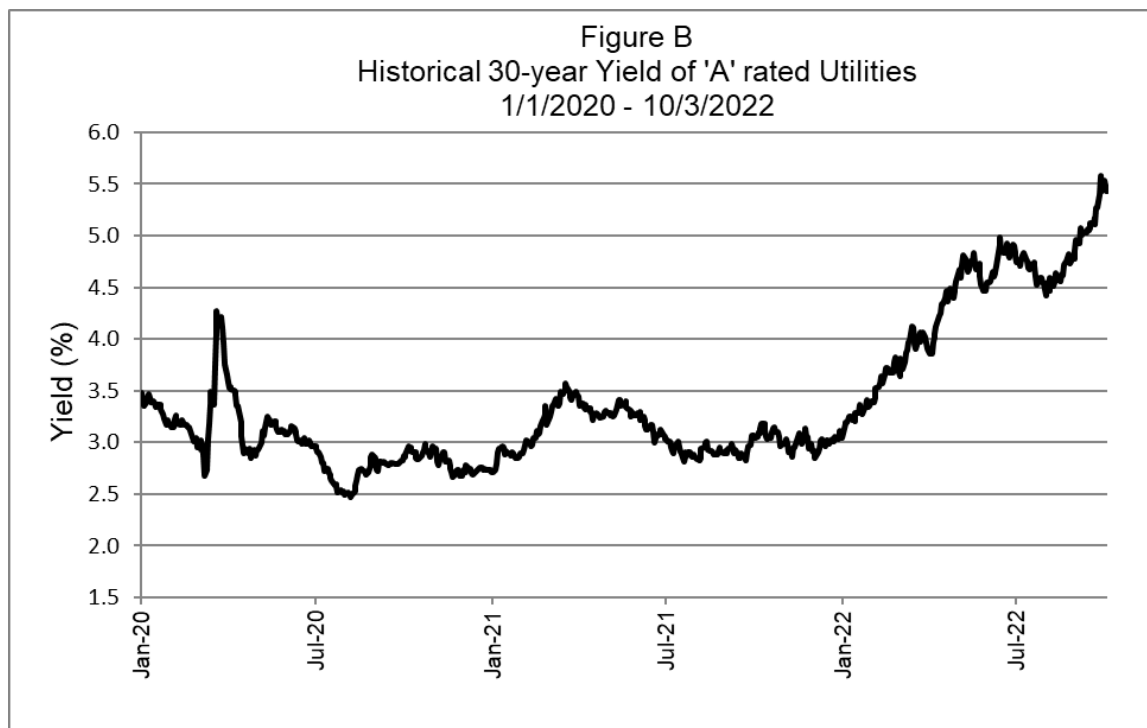
**A.** Yes. The Company still believes that credit spread authority of 400 basis points (4.00%) is appropriate. In determining the requested credit spread of 400 basis points, the Company considered current market rates for similarly rated securities as well as historical rates. Given that the Company is proposing a financing plan through December 31, 2023, the plan must include sufficient flexibility to address changing market conditions and volatile markets. A maximum authorized credit spread of 400 basis points (4.00%) will provide PSNH with flexibility in the event of unanticipated widening of credit spreads between now and the time of issuance due to any uncertainty or volatility in the capital markets. However, the Long-Term Debt will be issued at

1 prevailing credit spreads, which are determined by investors at the time of pricing.

2

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

4 A. The graph in Figure B below illustrates historic 30-year yields from January 1, 2020  
5 through October 3, 2022 for “A” rated utilities. Over that time frame yields for “A”  
6 rated utilities have fluctuated between 2.47 percent and 5.58 percent.



7

8 (Source: Bloomberg)

9 **Q. Please illustrate the impact of rising interest rates on the Company's pro forma**  
10 **financial statements.**

11 A. Please refer to Attachment 10 for an updated pro forma balance sheet and Attachment 11  
12 for an updated pro forma income statement. Attachment 10 and Attachment 11 reflect  
13 the same assumptions as the pro forma balance sheet and income statement provided as

1 Attachment 3 and Attachment 4 respectively with the exception that the estimated  
2 interest rate on the proposed Long-term Debt has been updated from 4.37% to 5.27% to  
3 reflect current market conditions. Any changed values are highlighted in yellow for ease  
4 of comparison.

5

6 **Q. Do these developments in the debt markets impact the Company's request of the**  
7 **Commission to approve the \$600 million in financing?**

8 A. No it does not. For the reasons discussed above, we believe that the original proposal,  
9 with the addition of the updated information provided in this supplemental testimony  
10 and Attachments 10 and 11, support a Commission finding that this financing is just,  
11 reasonable and in the public interest.

12

13 **IV. CONCLUSION**

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

15 A. Yes, it does.