

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.

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

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

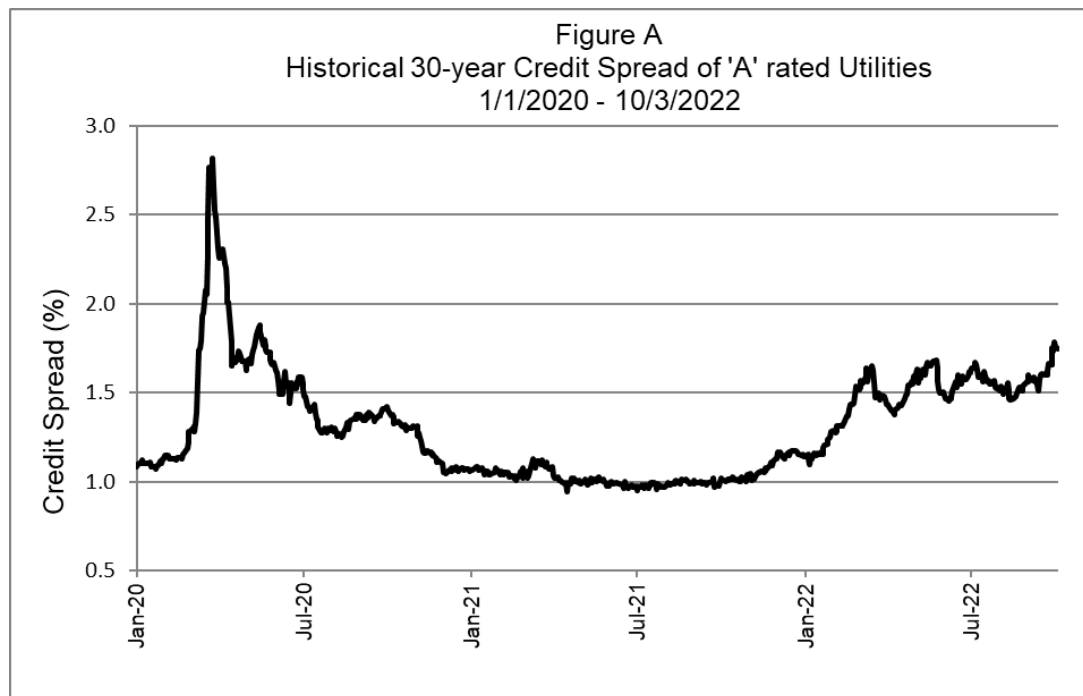
4 A. The following table reflects current indicative pricing of secured public debt as of
5 September 28, 2022. Between August 1, 2022 and September 28, 2022, the estimated
6 coupon rate of secured 30-year debt has increased from 4.37% to 5.27%.

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

7 (Source: RBC)

8
9 **Q. Please provide an update on utility credit spreads.**

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



(Source: Bloomberg)

1
2
3 **Q. Does the Company still believe that credit spread authority of up to 400 basis**
4 **points (4.00%) is appropriate?**

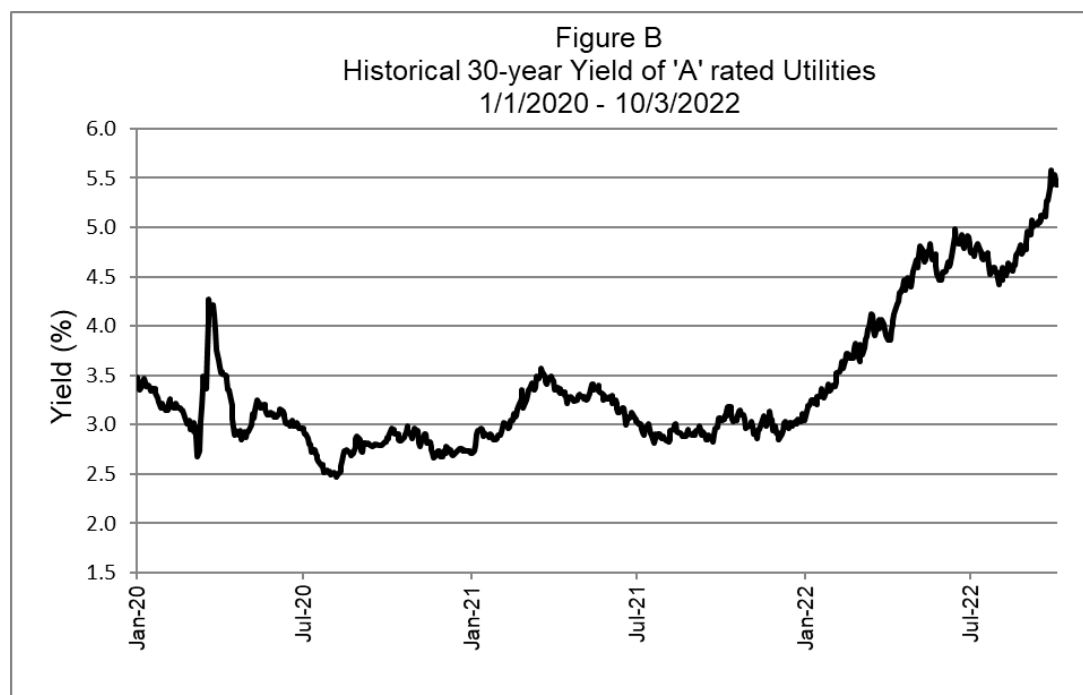
5 A. Yes. The Company still believes that credit spread authority of 400 basis points (4.00%)
6 is appropriate. In determining the requested credit spread of 400 basis points, the
7 Company considered current market rates for similarly rated securities as well as
8 historical rates. Given that the Company is proposing a financing plan through
9 December 31, 2023, the plan must include sufficient flexibility to address changing
10 market conditions and volatile markets. A maximum authorized credit spread of 400
11 basis points (4.00%) will provide PSNH with flexibility in the event of unanticipated
12 widening of credit spreads between now and the time of issuance due to any uncertainty
13 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.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY
PRO FORMA CONSOLIDATED BALANCE SHEET - ASSETS
AS OF JUNE 30, 2022
(UNAUDITED)
(Thousands of Dollars)

	<u>Per Book</u>	<u>Pro Forma Adjustments</u>		<u>Pro Forma Giving Effect to Adjustments</u>
ASSETS				
Current Assets:				
Cash	\$ 133	\$ -	a,c,e	\$ 133
Receivables, Net	151,444			151,444
Accounts Receivable from Affiliated Companies	7,792			7,792
Unbilled Revenues	48,161			48,161
Fuel, Materials and Supplies	40,810			40,810
Taxes Receivable	2,400	6,954	g	9,354
Current Regulatory Assets	93,225			93,225
Special Deposits	30,935			30,935
Prepaid Property Taxes	19,285			19,285
Prepayments and Other Current Assets	2,907			2,907
Total Current Assets	<u>397,092</u>	<u>6,954</u>		<u>404,046</u>
Property, Plant and Equipment, Net	<u>3,820,237</u>	<u>178,580</u>	e	<u>3,998,817</u>
Deferred Debits and Other Assets:				
Regulatory Assets	643,745			643,745
Other Long-Term Assets	19,797			19,797
Total Deferred Debits and Other Assets	<u>663,542</u>	<u>-</u>		<u>663,542</u>
Total Assets	<u>\$ 4,880,871</u>	<u>\$ 185,534</u>		<u>\$ 5,066,405</u>

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY
PRO FORMA CONSOLIDATED BALANCE SHEET - LIABILITIES
AS OF JUNE 30, 2022
(UNAUDITED)
(Thousands of Dollars)

	<u>Per Book</u>	<u>Pro Forma Adjustments</u>		<u>Pro Forma Giving Effect to Adjustments</u>
<u>LIABILITIES & CAPITALIZATION</u>				
Current Liabilities:				
Notes Payable to Eversource Parent	\$ 89,300	\$ (89,300)	a	\$ -
Rate Reduction Bonds - Current Portion	43,210			43,210
Accounts Payable	179,824			179,824
Accounts Payable to Affiliated Companies	26,994			26,994
Accrued Taxes	8,052	-	b,c,f,g	8,052
Accrued Interest	16,827	18,629	b, f	35,456
Current Regulatory Liabilities	106,554			106,554
Other Current Liabilities	29,893			29,893
Total Current Liabilities	<u>500,654</u>	<u>(70,671)</u>		<u>429,983</u>
Deferred Credits and Other Liabilities:				
Accumulated Deferred Income Taxes	543,771	1,859	c,d	545,630
Regulatory Liabilities	393,673			393,673
Accrued Pension, SERP and PBOP	14,203			14,203
Other Long-Term Liabilities	28,985			28,985
Total Deferred Credits and Other Liabilities	<u>980,632</u>	<u>1,859</u>		<u>982,491</u>
Long-Term Debt	<u>1,164,229</u>	<u>268,117</u>	a,c,d	<u>1,432,346</u>
Rate Reduction Bonds	<u>432,097</u>	-		<u>432,097</u>
Common Stockholder's Equity:				
Common Stock	-			-
Capital Surplus, Paid In	1,268,134			1,268,134
Retained Earnings	535,180	(13,772)	b,d,f	521,408
Accumulated Other Comprehensive Loss	(55)			(55)
Common Stockholder's Equity	<u>1,803,259</u>	<u>(13,772)</u>		<u>1,789,487</u>
Total Liabilities and Capitalization	<u>\$ 4,880,871</u>	<u>\$ 185,533</u>		<u>\$ 5,066,404</u>

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY
 PRO FORMA CONSOLIDATED STATEMENT OF RETAINED EARNINGS
 AS OF JUNE 30, 2022
 (UNAUDITED)
 (Thousands of Dollars)

	<u>Per Book</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Giving Effect to Adjustments</u>
Balance as of June 30, 2021	\$ 483,927	\$ 483,927	\$ 483,927
Net Income	153,653	(13,772) b,d,f	139,881
Dividends on Common Stock	(102,400)	(102,400)	(102,400)
Balance as of June 30, 2022	<u>\$ 535,180</u>	<u>\$ (13,772)</u>	<u>\$ 521,408</u>

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY
PRO FORMA ADJUSTMENTS TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2022
(Thousands of Dollars)

Attachment 10
Page 4 of 4

	<u>Debit</u>	<u>Credit</u>
a) 131 - Cash	185,700	
233 - Notes Payable to Eversource Parent	89,300	
221 - Long-Term Debt	325,000	
221 - Long-Term Debt		600,000

To record the issuance of \$600 million of long-term debt, cash received and payoff of short term and long term debt.

b) 427 - Interest Expense	31,620	
236 - Accrued Taxes	8,539	
237 - Accrued Interest		31,620
409 - Federal Income Tax Expense		6,640
409 - State Income Tax Expense		1,898

To record interest expense associated with long-term debt issued and related income taxes.

c) 181 - Long-Term Debt	7,120	
236 - Accrued Taxes	1,923	
131 - Cash		7,120
283 - Accumulated Deferred Income Taxes		1,923

To record deferral of issuance expenses associated with the issuance of long-term debt and related income taxes.

d) 428 - Interest Expense	237	
283 - Accumulated Deferred Income Taxes	64	
181 - Long-Term Debt		237
410 - Federal and State Income Tax Expense		64

To record 12 months of amortization of issuance expenses associated with the issuance of long-term debt and related income taxes.

e) 107 - CWIP	178,580	
131 - Cash		178,580

To record use of net proceeds for capital expenditures.

f) 237 - Accrued Interest	12,991	
409 - Federal Income Tax Expense	2,728	
409 - State Income Tax Expense	780	
427 - Interest Expense		12,991
236 - Accrued Taxes		3,508

To record reduction in interest expense and related income taxes associated with short term and long term debt retired.

g) 143 - Taxes Receivable	6,954	
236 - Accrued Taxes		6,954

To move change in Accrued Federal and New Hampshire Tax to Taxes Receivable
Federal and New Hampshire Taxes are a receivable at June 30, 2022

<i>Information obtained from, Treasury</i>		
Key Assumptions for Pro Forma financials:		
1 Pro forma date		6/30/22
2 Maturity - in years		30
3 Debt Amount		\$600,000,000
4 Issuance Costs		\$7,120,000
5 Proceeds		\$592,880,000
7 Debt Interest Rate		5.27%
Interest - Yearly		\$31,620,000
Amortization of issuance exp - Yearly		\$237,333
8 Tax Rate		27.004%
Federal		21.000%
State		6.004%

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY
PRO FORMA CONSOLIDATED STATEMENT OF INCOME
FOR THE TWELVE MONTHS ENDED JUNE 30, 2022
(UNAUDITED)
(Thousands of Dollars)

	<u>Per Book</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Giving Effect to Adjustments</u>
Operating Revenues	\$ 1,251,446	\$	\$ 1,251,446
Operating Expenses:			
Purchased Power, Fuel and Transmission	434,796		434,796
Operations and Maintenance	252,761		252,761
Depreciation	123,582		123,582
Amortization of Regulatory Assets, Net	78,063		78,063
Energy Efficiency Programs	36,574		36,574
Taxes Other Than Income Taxes	93,908		93,908
Total Operating Expenses	<u>1,019,684</u>		<u>1,019,684</u>
Operating Income	231,762		231,762
Interest Expense	56,948	18,866	75,814
Other Income, Net	21,430		21,430
Net Income Before Income Tax Expense	196,244	(18,866)	177,378
Income Tax Expense	42,591	(5,094)	37,497
Net Income	<u>\$ 153,653</u>	<u>\$ (13,772)</u>	<u>\$ 139,881</u>