

**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 20-\_\_\_**

**MAY 18, 2020**

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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 [Witness Dzialo] My name is Michael J. Dzialo. My business address is 107 Selden  
6 Street, 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  
9 for Eversource Energy Service Company ("EES"), which is an affiliated service  
10 company of Eversource Energy and its subsidiaries, including Public Service Company  
11 of New Hampshire dba Eversource Energy ("PSNH" or the "Company"). I hold the  
12 same position for PSNH.

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

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

16 A. [Witness O'Neil] My primary responsibilities include cash management, development  
17 and implementation of long-term financing plans, lease financings, capital structure and  
18 credit 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  
6 earned a Bachelor's degree in Economics from the Barnard College of Columbia  
7 University.

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

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

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

1 Financing Transactions).

2 [Witness Dzialo] Yes. I have testified in three previous financing-related regulatory  
3 proceedings including before the Commission in: Public Service Company of New  
4 Hampshire, DE 19-045 (Petition For Approval of Financing).

5 **II. PURPOSE OF TESTIMONY**

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

7 A. The purpose of our testimony is to explain PSNH’s Petition to issue long-term debt  
8 securities in an aggregate principal amount not to exceed \$200 million (the “Long-Term  
9 Debt”) during a period from the date of the Commission’s order in this docket through  
10 December 31, 2020 (the “Authorization Period”).

11 **III. DESCRIPTION OF PROPOSED FINANCING**

12 **Q. Would you please briefly summarize PSNH’s financing proposal?**

13 A. During the Authorization Period, PSNH proposes to issue and sell up to \$200 million in  
14 aggregate principal amount of Long-Term Debt in the form of first mortgage bonds with  
15 a maturity ranging from 1 to 30 years. The exact amount, maturity, financing structure,  
16 terms and conditions, redemption provisions and coupon rate will be determined at the  
17 time of pricing depending on prevailing market conditions.

1 **Q. PSNH requests the authority to issue up to \$200 million of Long-Term Debt during**  
2 **the Authorization Period in order to satisfy its projected financing needs. Could**  
3 **you please describe how this amount was determined?**

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

- 6 • 2020 capital expenditures are forecasted to be approximately \$345 million.
- 7 • At March 31, 2020, the Company's short-term debt balance was \$84.7 million.

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

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

- 13 1) Aggregate principal amount of Long-Term Debt issued during the Authorization  
14 Period not to exceed \$200 million.
- 15 2) The Long-Term Debt will be in the form of secured first mortgage bonds.
- 16 3) Debt maturity will range from 1 to 30 years.
- 17 4) Coupon rate to be consistent with market rates for an instrument of similar maturity  
18 and risk at the time of issuance, with conditions that the credit spread above a fixed  
19 rate benchmark (i.e., applicable Treasury Bond) not to exceed 400 basis points (4.00  
20 percent).

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

2 A. The proceeds of the issuance of up to \$200 million in Long-Term Debt will be used to:  
 3 (a) refinance outstanding short-term debt; (b) finance the Company’s distribution and  
 4 transmission businesses capital expenditures and (c) fund working capital needs.

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

7 A. The following table reflects current indicative pricing of secured public debt as of May  
 8 4, 2020.

9

<b>Secured Institutional Debt</b>	<b>10-year</b>	<b>30-year</b>
U.S. Treasury Yield	0.64%	1.29%
+ Credit Spread	1.45%	1.70%
= Coupon Rate	2.09%	2.99%

10 (Source: Barclays)

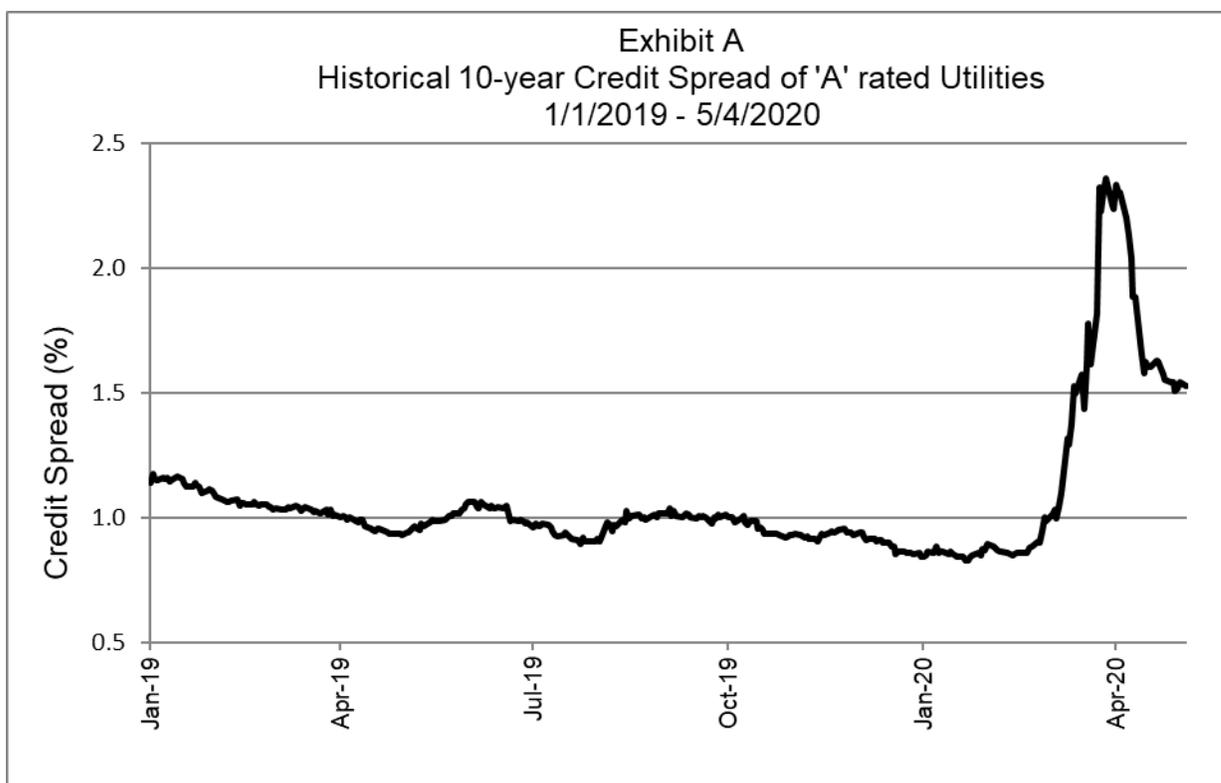
11 **Q. What are PSNH’s current credit ratings?**

12 A. PSNH’s senior secured debt is currently rated “A+” by S&P Global Ratings, “A1” by  
 13 Moody’s Investors Service and “A+” by Fitch Ratings.

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

15 A. In determining the requested credit spread of 400 basis points, the Company considered  
 16 current market rates for similarly rated securities as well as historical rates. Given that

1 the Company is proposing a financing plan through December 31, 2020, the plan must  
 2 include sufficient flexibility to address changing market conditions and volatile markets.  
 3 Exhibit A, which shows the historical 10-year credit spread of “A” rated utilities from  
 4 January 1, 2019 through May 4, 2020, illustrates the volatility of credit spreads. During  
 5 the short period of time between February 28, 2020 and March 24, 2020, credit spreads  
 6 increased by 133 basis points (1.33%).



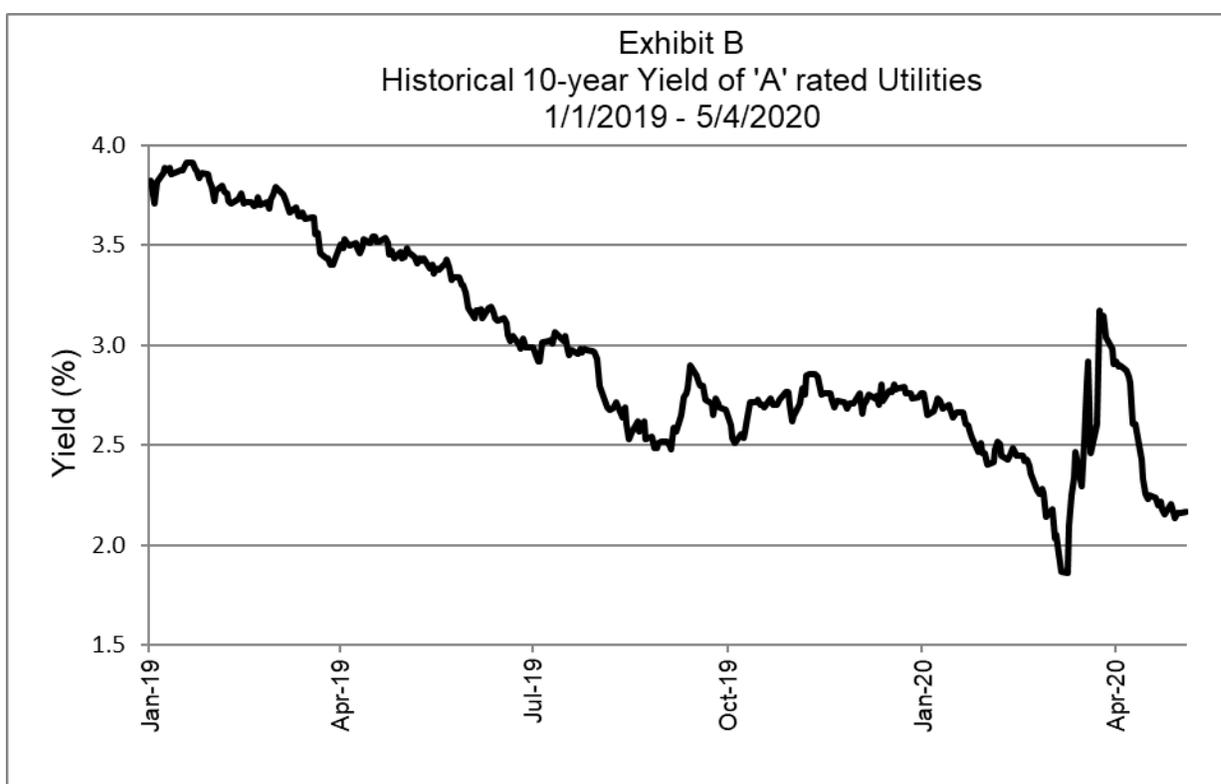
7  
 8 (Source: Bloomberg)

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

1 investors at the time of pricing.

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

3 A. Exhibit B illustrates historic 10-year yields from January 1, 2019 through May 4, 2020  
 4 for “A” rated utilities. Over that time frame yields for “A” rated utilities have fluctuated  
 5 between 1.86 percent and 3.91 percent.



6  
 7 (Source: Bloomberg)

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

9 A. No. PSNH’s regulatory five-quarter average equity ratio, as of March 31, 2020, was  
 10 approximately 55%. PSNH expects to maintain this ratio through earnings and capital  
 11 contributions from Eversource Energy.

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

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

4 **Q. Please describe the PSNH's current debt maturity profile.**

5 A. The table below details the principal amount of long-term debt outstanding and maturity  
6 date of each series of debt as of March 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
<b>Total Long-term Debt</b>	<b>\$957,000,000</b>	

7  
8 **Q. What are the fees associated with the issuance of the proposed Long-Term Debt?**

9 A. The following table lists the estimated fees associated with the Company’s most likely  
10 financing structure in today’s market environment, which would be 10-year first  
11 mortgage bonds issued to institutional investors in the public market.

	<b>Fee</b>	<b>Amount</b>
	Underwriting Fee <sup>1</sup>	1,300,000
	Rating Agencies	399,000
	Legal	55,000
	Miscellaneous <sup>2</sup>	126,000
	<b>Total</b>	<b>\$ 1,880,000</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 Commission, printing, external auditors and up-front trustee acceptance fees.

1 **IV. MORTGAGING OF PROPERTY**

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

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

5 **V. CONCLUSION**

6 **Q. Do you believe the proposed issuance of up to \$200 million of Long-Term Debt and  
7 the mortgaging of property are in the public good?**

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

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

13 A. PSNH respectfully requests that the Commission issue an Order *Nisi* approving the  
14 financing proposal as soon as possible but by no later than August 1, 2020.

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

16 A. Yes, it does.