

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?**

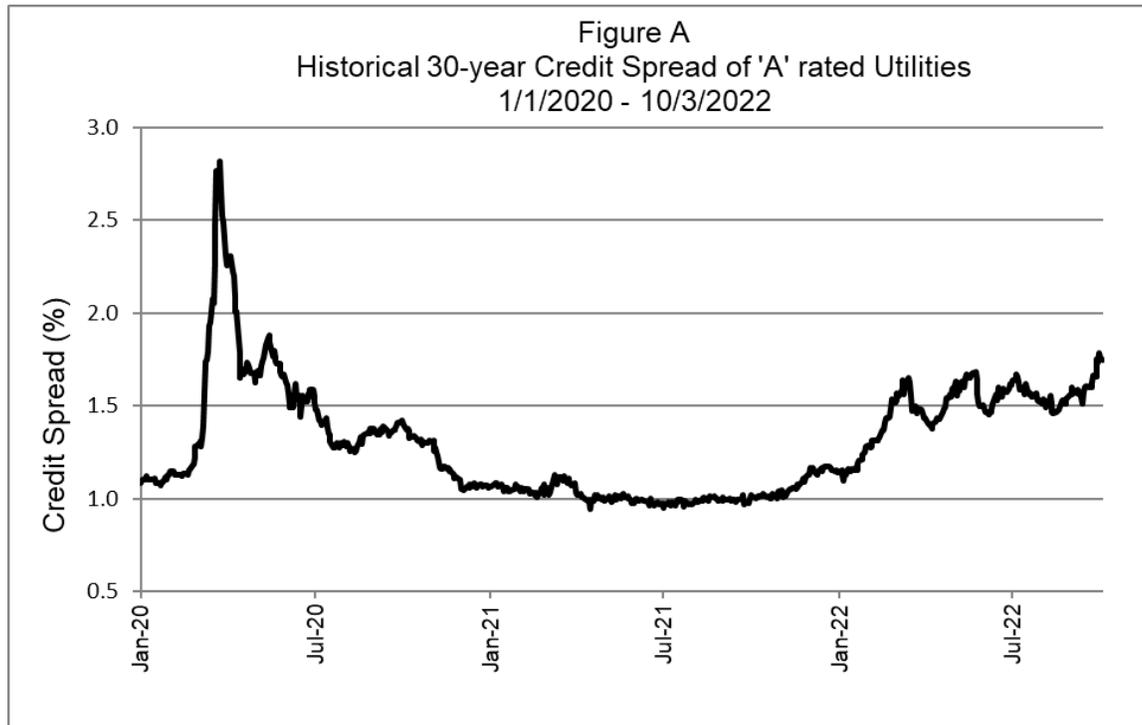
4 A. The following table reflects current indicative pricing of secured public debt as of
 5 September 28, 2022. Between August 1, 2022 and September 28, 2022, the estimated
 6 coupon rate of secured 30-year debt has increased from 4.37% to 5.27%.

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?**

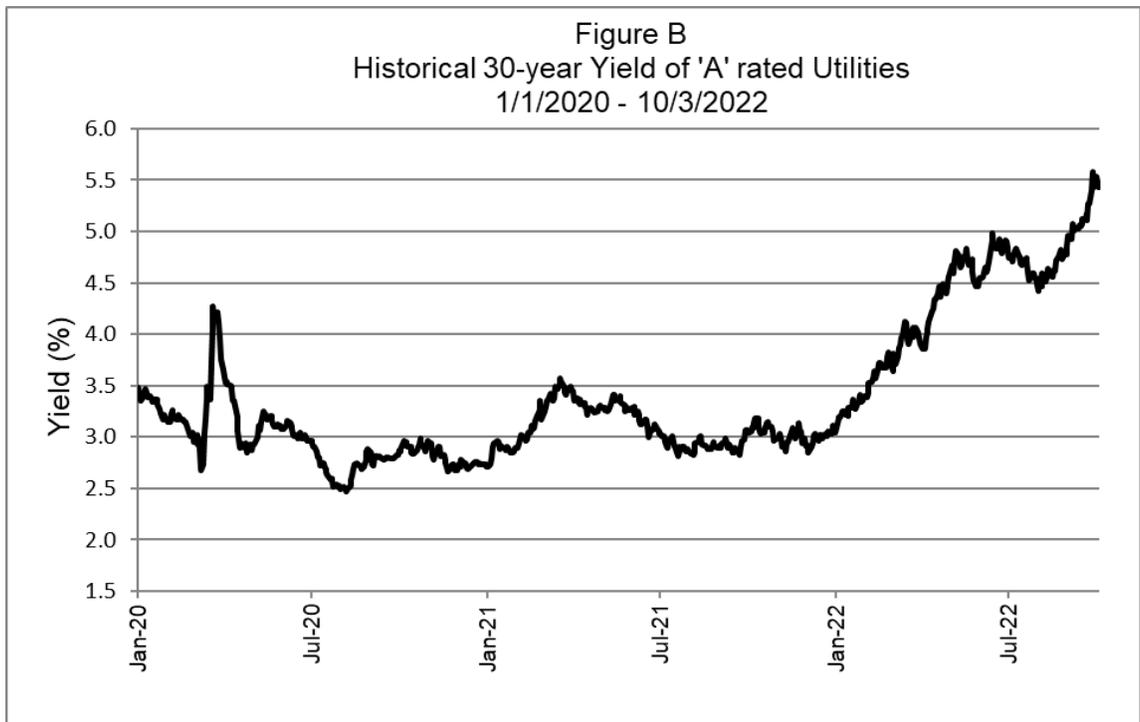
5 A. Yes. The Company still believes that credit spread authority of 400 basis points (4.00%)
6 is appropriate. In determining the requested credit spread of 400 basis points, the
7 Company considered current market rates for similarly rated securities as well as
8 historical rates. Given that the Company 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.