Public Service Company of New Hampshire
Docket No. DT 07-070

Data Request NSTF-01

Dated: 06/22/2007
Q-NSTF-01-001

Witness: **Patricia C. Cosgel**
Request from: **New Hampshire Public Utilities Commission Staff**

Question:
Cosgel testimony, page 10, lines 3 to 11: How would PSNH's assess today's market conditions? If today's market conditions were to exist at the time of issuance, would PSNH issue Institutional Debt or Retail Debt? Please include in your answer the factors that PSNH considers in deciding between both types of debt such as the following: (a) the over–all cost of each issuance, including the coupon rate, underwriting expense, any issuance premiums; (b) the structure of the issuance; and (c) strategic issues, such as the Company's targeted investor base.

Response:
The overall cost of Retail vs. Institutional Debt is the primary factor that PSNH considers in deciding between both types of debt, as the structure of each type is very similar and currently PSNH sees no incremental value to having Retail vs. Institutional Debt holders. The cost of Retail Debt is impacted by the cost of bond insurance and the overall demand for the insured bond product. The cost of insurance has improved with new entrants to the market along with lower demand for this product in recent years. In addition, the pricing for Retail Debt has generally been more favorable when interest rates are rapidly rising, as rates on Retail Debt tend to be somewhat "sticky." Retail investors focus on the absolute coupon rate versus the returns obtainable on their other comparable investment options (such as bank deposits and CDs) as opposed to Institutional Debt investors, which change their required coupon as Treasury rates change throughout the day.

If current market conditions existed at the time of issuance, PSNH would issue Institutional Debt. The current pricing differential between Institutional and Retail offerings is approximately 0.21% for a 30-year First Mortgage Bond (PSNH's most probable financing structure in the current interest rate environment), which includes the higher underwriting fees required for a Retail offering (3.15% compared with 0.875% for an Institutional offering). Please refer to Q-NSTF-01-012 for an example of the comparison of the all-in costs of Retail and Institutional Debt.

ORIGINAL
N.H.P.U.C. Case No. DE07-070
Exhibit No. 3
Witness Patricia C. Cosgel
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