

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

DOCKET NO. DE 13-156

DIRECT TESTIMONY OF STEPHEN R. HALL

PETITION
OF
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
FOR APPROVAL OF
FINANCING TRANSACTIONS

1 **Q. Please state your name, business address and position.**

2 A. My name is Stephen R. Hall. My business address is 780 N. Commercial Street,
3 Manchester, NH. I am the Manager of Revenue Requirements for Public Service
4 Company of New Hampshire ("PSNH" or the "Company").

5 **Q. Have you previously testified before the Commission?**

6 A. Yes. I have testified on numerous occasions before the Commission.

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

8 A. The purpose of my testimony is to provide the impact on PSNH's rates of PSNH's
9 proposed issuance of \$315 million of new Long-Term Debt, and the refinancing of
10 \$89.25 million of Series B Pollution Control Revenue Bonds ("PCRBs").

1 **Q. What are your assumptions for the new Long-Term Debt for the purpose of**
2 **estimating the impact on PSNH's rates?**

3 A. As stated in Mr. Lembo's and Ms. O'Neil's testimony, PSNH is proposing an issuance of
4 \$315,000,000 of new Long-Term Debt principal. The issuance will have a maturity of 1
5 to 30 years, will be either secured or unsecured, and will have a coupon rate based on a
6 fixed or floating rate benchmark plus a credit spread of not greater than 300 basis points.
7 In order to estimate the impact on PSNH's rates, I have assumed that: (i) the coupon
8 rate for the new Long-Term Debt will be 3.87%, (ii) the term will be thirty years, and (iii)
9 issuance expenses will be \$3,318,741. Unamortized issuance expense associated with
10 the redeemed Series C PCRBs are assumed to be amortized over the new thirty year
11 term.

12 **Q. What are your assumptions for the refinancing of Series B PCRBs?**

13 A. As discussed by Mr. Lembo and Ms. O'Neil, PSNH is requesting the flexibility to
14 refinance the Series B PCRBs with new taxable or tax-exempt bonds. To estimate the
15 impact on PSNH's rates, I have assumed a new \$89,250,000 taxable bond issue with a
16 coupon rate of 2.16% and a term of eight years. This refinancing is assumed to incur a
17 2% call premium of \$1,785,000 and new issuance expenses of \$879,187. Additionally,
18 an annual insurance premium of \$112,000 associated with the bonds being refinanced
19 will no longer be incurred. Unamortized expenses associated with the Series B PCRBs
20 are assumed to be amortized over the new eight year term.

21 **Q. For your analyses, what did you assume for capital structure?**

22 A. I assumed that the capital structure would remain approximately the same; i.e., that
23 there would be capital infusion from NU Parent to maintain an approximate 52.4% equity

1 ratio, as specified under the last distribution rate case settlement in Docket No. DE 09-
2 035.

3 **Q. Have you performed a calculation of the impact of the proposed financings on**
4 **PSNH's proposed Energy Service (ES) Rate?**

5 A. Yes, I have. Attachment SRH-1 contains work papers showing the impact of the effect
6 of the proposed financings on PSNH's current ES rate. The impact of the refinancing is
7 a nominal reduction in rate level. In summary, the issuance of new Long-Term Debt and
8 refinancing of the Series B PCRBs would result in a small reduction to PSNH's current
9 ES rate. Under the assumptions stated above, the rate impact is a decrease of \$0.0003
10 per kilowatt-hour.

11 **Q. Please describe how the rate impact was calculated.**

12 A. The calculations are shown in Attachment SRH-1. I started with the calculations
13 supporting the ES rate which the Commission approved in Docket No. DE 12-292. I
14 then modified the return percentage applied to rate base to account for the changes
15 associated with the new Long-Term Debt issuance and the refinancing of the Series B
16 PCRBs.

17 The actual monthly return percent of 0.921742% used in the filing in Docket No. DE 12-
18 292 is shown on page 7 of Attachment SRH-1. Changes to page 7 resulting from the
19 new financing assumptions were calculated on page 6 and the new monthly return
20 percent incorporating the changes on page 6 was calculated on page 5. The new return
21 percent from page 5 of 0.894821% was then used on page 2 to recalculate the dollar
22 amount of the return on rate base. Finally, this new return on rate base dollar amount

1 was brought forward to page 1 to calculate what the ES rate would have been assuming
2 the proposed financing changes.

3 As summarized above, these calculations show the current ES rate would have been
4 reduced by a minimal amount as a result of the new Long-Term Debt issuance and the
5 Series B PCRBs refinancing, resulting in a decrease of about \$0.0003 per kWh.

6 **Q. Will there be any impact on other rate components?**

7 A. No. Distribution rates will not change because under the settlement in the rate case in
8 Docket No. DE 09-035, the capital structure, and the cost of capital, is fixed over the
9 term of the settlement. Accordingly, the weighted average cost of capital would not
10 change as a result of any refinancing or new financing. The average Transmission Cost
11 Adjustment Mechanism rate would also remain unchanged by the refinancing and
12 issuance of new Long-Term Debt as the return on the working capital is calculated using
13 the same fixed weighted average cost of capital that is allowed in the distribution
14 segment. Finally, the return component of the SCRC will decrease slightly, but the
15 decrease will be too small to have an impact on the calculation of the average SCRC
16 rate.

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

18 A. Yes, it does.