

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 19-_____

March 1, 2019

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1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

 A. [Witness O'Neil] My name is Emilie G. O'Neil. My business address is 247 Station
 Drive, Westwood, Massachusetts.

3 [Witness Dzialo] My name is Michael J. Dzialo. My business address is 107 Selden
4 Street, Berlin, Connecticut.

5 **Q. By whom are you employed and in what capacity?**

6 A. [Witness O'Neil] I am the Assistant Treasurer, Corporate Finance and Cash Management
7 for Eversource Energy Service Company ("EES"), which is an affiliated service company
8 of Eversource Energy and its subsidiaries, including Public Service Company of New
9 Hampshire dba Eversource Energy ("PSNH" or the "Company"). I hold the same
10 position for PSNH.

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

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

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

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

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

11 A. [Witness O'Neil] Yes. I have testified in twenty-three previous financing-related
12 regulatory proceedings:
13 Yankee Gas Services Company, 18-12-24 (2018)(2019-2022 Finance Plan);
14 NSTAR Electric Company, D.P.U 18-127 (2018)(2019-2020 Finance Plan);
15 NSTAR Gas Company, D.P.U 18-37 (2018)(2018-2019 Finance Plan);
16 Public Service Company of New Hampshire, DE 17-096 (2017)(securitization);
17 NSTAR Electric Company, D.P.U. 16-189;
18 The Connecticut Light and Power Company ("CL&P"), 16-11-25 (2016)(2017-2020
19 Finance Plan);

1 Western Massachusetts Electric Company (“WMECO”), D.P.U. 15-127 (2015) (issuance
2 of long-term debt);
3 Public Service Company of New Hampshire, DE 14-238 (2015)(securitization);
4 NSTAR Gas Company, D.P.U. 15-01 (2015)(issuance of first mortgage bonds);
5 Public Service Company of New Hampshire, DE 13-156 (2013)(issuance of long-term
6 debt);
7 NSTAR Gas Company, D.P.U. 09-57 (2009)(issuance of first mortgage bonds); NSTAR
8 Electric Company, D.P.U. 13-133 (2013)(2014-2015 Finance Plan);
9 NSTAR Electric Company, D.P.U. 12-32 (2012)(2012-2013 Finance Plan);
10 [NSTAR Electric Company, D.P.U. 08-124 (2008)(2009-2010 Finance Plan);
11 NSTAR Electric Company, D.P.U. 07-43 (2007)(2007-2008 Finance Plan);
12 Boston Edison Company and Commonwealth Electric Company, D.T.E. 04-70 (2004)
13 (securitization);
14 Boston Edison Company, D.T.E. 03-129 (2003)(2004-2005 Finance Plan);
15 Boston Edison Company, D.T.E. 00-062 (2000)(2001-2002 Finance Plan);
16 Boston Edison Company, D.T.E. 98-118 (1998) securitization);
17 Boston Edison Company, D.P.U. 94-160 (1994);
18 Boston Edison Company, D.P.U. 92-253 (1992);
19 Boston Edison Company, D.P.U. 92-244 (1992); and
20 Commonwealth Electric Company, D.T.E. 02-51 (2002)(issuance of long-term debt).

21 [Witness Dzialo] Yes. I have testified in one previous financing-related regulatory

1 proceeding: Yankee Gas Services Company, 18-12-24 (2018) (2019-2022 Finance Plan).

2 **II. PURPOSE OF TESTIMONY**

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

4 A. The purpose of our testimony is to explain PSNH's Petition to issue long-term debt
5 securities in an aggregate principal amount not to exceed \$300 million (the "Long-Term
6 Debt") during a period from the date of the Public Utilities Commission's (the
7 "Commission") order in this docket through December 31, 2019 (the "Authorization
8 Period").

9 **III. DESCRIPTION OF PROPOSED FINANCING**

10 **Q. Would you please briefly summarize PSNH's financing proposal?**

11 A. During the Authorization Period, PSNH proposes to issue and sell up to \$300 million in
12 aggregate principal amount of Long-Term Debt in the form of first mortgage bonds with a
13 maturity ranging from 1 to 30 years. The exact amount, maturity, financing structure,
14 terms and conditions, redemption provisions and coupon rate will be determined at the
15 time of pricing depending on prevailing market conditions.

16 **Q. PSNH requests the authority to issue up to \$300 million of Long-Term Debt during**
17 **the Authorization Period in order to satisfy its projected financing needs. Could**
18 **you please describe how this amount was determined?**

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

- 1 • 2019 capital expenditures are forecasted to be approximately \$320 million.
- 2 • The Company's \$150 million 4.50% first mortgage bonds, Series P, will mature
- 3 on December 1, 2019.
- 4 • At December 31, 2018, the Company's short-term debt balance was \$57 million.

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

6 A. In order to achieve favorable financing terms, PSNH seeks flexibility in issuing the Long-

7 Term Debt, such that this debt may be distributed in either the public or private markets.

8 However, notwithstanding this flexibility, PSNH proposes the following parameters for

9 such issuance:

- 10 1) Aggregate principal amount of Long-Term Debt issued during the Authorization
- 11 Period not to exceed \$300 million.
- 12 2) The Long-Term Debt will be in the form of secured first mortgage bonds.
- 13 3) Debt maturity will range from 1 to 30 years.
- 14 4) Coupon rate to be consistent with market rates for an instrument of similar maturity
- 15 and risk at the time of issuance, with conditions that the credit spread above a fixed
- 16 rate benchmark (i.e., applicable Treasury Bond) not to exceed 300 basis points (3.00
- 17 percent).

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

19 A. The proceeds of the issuance of up to \$300 million in Long-Term Debt will be used to:

20 (a) refinance outstanding short-term debt; (b) finance the Company's distribution and

1 transmission businesses capital expenditures; (c) pay at maturity the Company's
2 \$150,000,000 4.50% first mortgage bonds, Series P, due December 1, 2019; and (d) fund
3 working capital needs.

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

6 A. The following table reflects current indicative pricing of secured public debt as of
7 February 11, 2019.

Secured Institutional Debt	10-year	30-year
U.S. Treasury Yield	2.66%	3.00%
+ Credit Spread	0.85%	1.08%
= Coupon Rate	3.51%	4.08%

8 (Source: Citigroup)

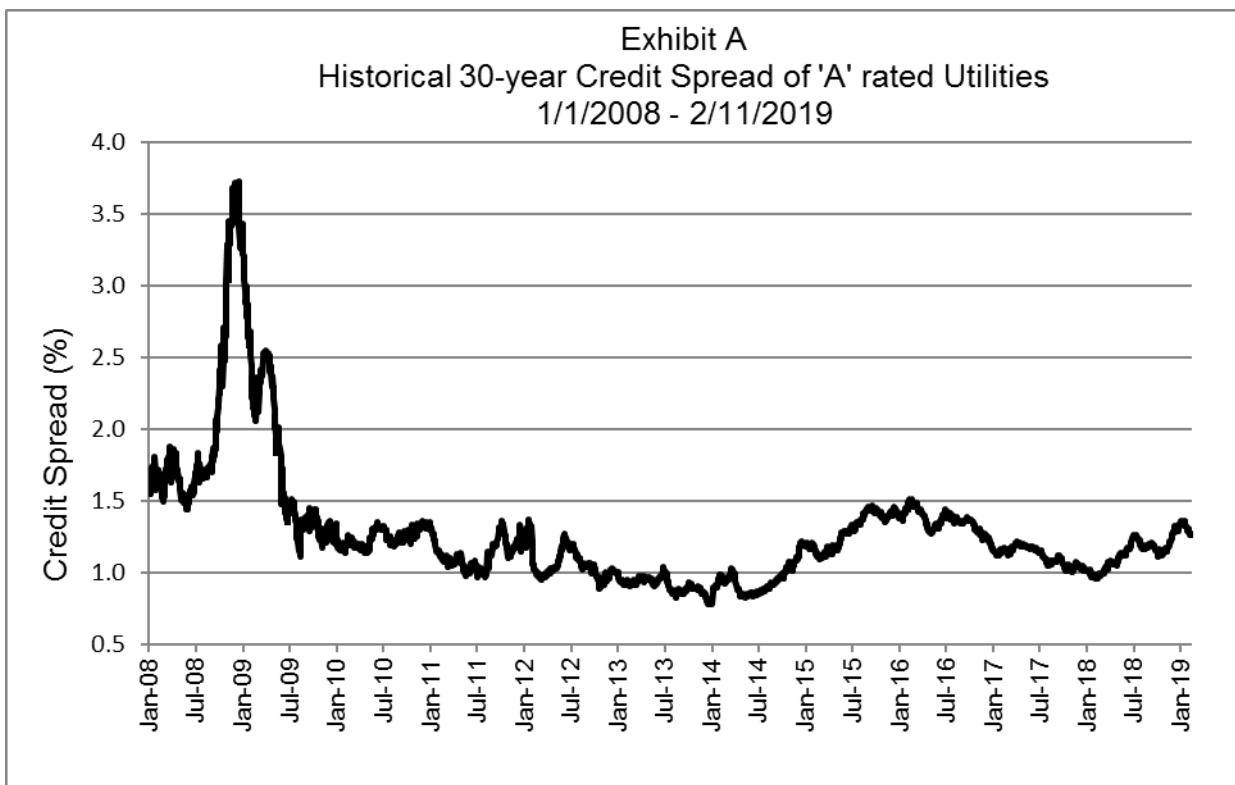
9 **Q. What are PSNH's current credit ratings?**

10 A. PSNH's senior secured debt is currently rated "AA-" by S&P Global Ratings, "A1" by
11 Moody's Investors Service and "A+" by Fitch Ratings.

12 **Q. Why is PSNH requesting credit spread authority of up to 300 basis points (3.00%)?**

13 A. In determining the requested credit spread of 300 basis points, the Company considered
14 current market rates for similarly rated securities as well as historical rates. Given that the
15 Company is proposing a financing plan through December 31, 2019, the plan must
16 include sufficient flexibility to address changing market conditions and volatile markets.
17 Exhibit A, which shows the historical 30-year credit spread of "A" rated utilities from

1 January 1, 2008 through February 11, 2019, illustrates the volatility of credit spreads.
2 Between September 1, 2008 and December 16, 2008, the credit spread of “A” rated
3 utilities widened dramatically, from 1.70% to 3.73%.



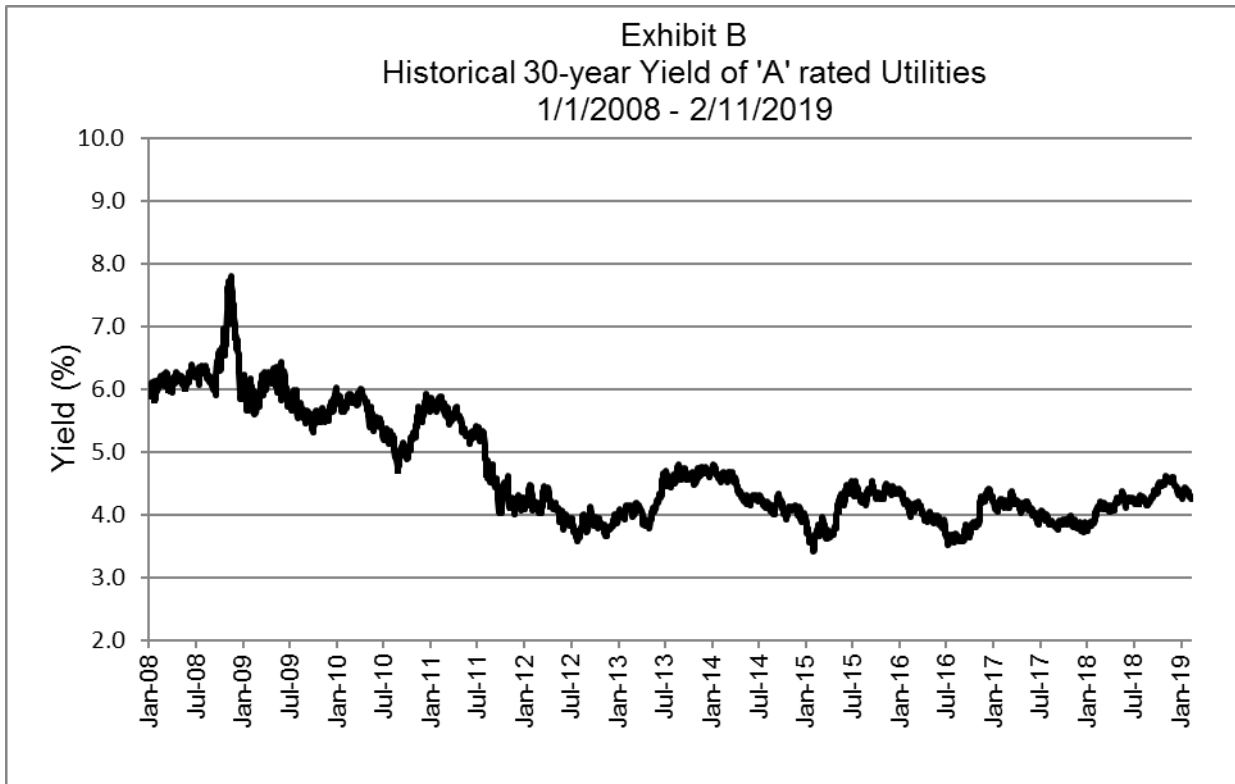
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5 (Source: Bloomberg)

6 A maximum authorized credit spread of 300 basis points (3.00%) will provide PSNH
7 with flexibility in the event of unanticipated widening of credit spreads between now and
8 the time of issuance due to any uncertainty or volatility in the capital markets. However,
9 the Long-Term Debt will be issued at prevailing credit spreads, which are determined by
10 investors at the time of pricing.

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

12 A. Exhibit B illustrates historic 30-year yields from January 1, 2008 through February 11,

1 2019 for “A’ rated utilities. Over that time frame yields for “A” rated utilities have
2 fluctuated between 3.42 percent and 7.80 percent.



3
4 (Source: Bloomberg)

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

6 A. No. PSNH’s regulatory five-quarter average equity ratio, as of December 31, 2018, was
7 approximately 54%. PSNH expects to maintain this ratio through earnings and capital
8 contributions from Eversource Energy.

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

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

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

2 A. The table below details the principal amount of long-term debt outstanding and maturity
3 date of each series of debt as of December 31, 2018:

First Mortgage Bond Series	Amount Issued	Maturity Date
2005 Series M	\$50,000,000	10/05/2035
2009 Series P	\$150,000,000	12/01/2019
2011 Series Q	\$122,000,000	06/01/2021
2011 Series R	\$160,000,000	09/01/2021
2013 Series S	\$325,000,000	11/01/2023
Total Long-term Debt	\$807,000,000	

4
5 **Q. Has PSNH or any of its affiliates with similar credit ratings accessed the capital
6 markets recently?**

7 A. PSNH has not accessed the capital markets since the reopening of its Series S first
8 mortgage bonds in 2014.

9 On March 28, 2018, CL&P, which has similar ratings as PSNH, issued \$500 million of
10 30-year first mortgage bonds. The required investor yield at the time of pricing the bonds
11 was 4.014%, which reflected a 30-year Treasury yield of 3.084% plus a credit spread of
12 93 basis points (0.93 percent).

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

14 A. The following table lists the estimated fees associated with the Company's most likely
15 financing structure in today's market environment, which would be 30-year first
16 mortgage bonds issued to institutional investors in the public market.

Fee	Amount
Underwriting Fee ¹	2,625,000
Rating Agencies	541,500
Legal	40,000
Miscellaneous ²	103,500
Total	\$ 3,310,000

1. Underwriting fees are based on an anticipated 0.875% commission for a thirty-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 \$300 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 May 1, 2019.

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

2 **A. Yes, it does.**