

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

**DOCKET NO. DE 23-XXX**

**DIRECT 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**

**November 3, 2023**

**TABLE OF CONTENTS**

	<u>Page</u>
I. INTRODUCTION	3
II. PURPOSE OF TESTIMONY	5
III. DESCRIPTION OF PROPOSED FINANCING	6
IV. MORTGAGING OF PROPERTY	12
V. CONCLUSION	12

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

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

8

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

10   A.        [Witness O'Neil] I am the Assistant Treasurer, Corporate Finance and Cash  
11              Management for Eversource Energy Service Company ("EES"), which is an affiliated  
12              service company of Eversource Energy and its subsidiaries, including Public Service  
13              Company of New Hampshire d/b/a Eversource Energy ("PSNH" or the "Company"). I  
14              hold the same position for PSNH.

15

16              [Witness Dzialo] I am a Principal Analyst in the Corporate Finance and Cash  
17              Management group for EES.

18

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

20   A.        [Witness O'Neil] My primary responsibilities include cash management, development  
21              and implementation of long-term financing plans, lease financings, capital structure and  
22              credit management.

1 [Witness Dzialo] My primary responsibilities include supporting the development and  
2 implementation of long-term financing plans.  
3

4 **Q. Please summarize your educational backgrounds.**

5 A. [Witness O'Neil] In May 1986, I earned a Master of Business Administration with a  
6 concentration in Accounting and Finance from Cornell University. In May 1982, I  
7 earned a Bachelor's degree in Economics from the Barnard College of Columbia  
8 University.  
9

10 [Witness Dzialo] In December 2007, I earned a Master's degree in Finance from Bentley  
11 University. In May 2006, I earned a Bachelor's degree in Finance from Bentley  
12 University.  
13

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

15 A. [Witness O'Neil] Yes. I have testified in thirty-five previous financing-related  
16 regulatory proceedings, including the dockets listed below before the New Hampshire  
17 Public Utilities Commission (the "Commission"):

18 Public Service Company of New Hampshire, DE 22-049 (Petition For Approval of  
19 Financing Transaction); Public Service Company of New Hampshire, DE 21-060  
20 (Petition For Approval of Financing Transaction); Public Service Company of New  
21 Hampshire, DE 20-072 (Petition For Approval of Financing Transaction); Public  
22 Service Company of New Hampshire, DE 19-045 (Petition For Approval of Financing  
23 Transaction); Public Service Company of New Hampshire, DE 17-096 (Petition for

1 Finding of Fact and Issuance of Financial Order); Public Service Company of New  
2 Hampshire, DE 14-238 (Determination Regarding PSNH's Generation Assets); and  
3 Public Service Company of New Hampshire, DE 13-156 (Petition for Approval of  
4 Financing Transactions).

5  
6 [Witness Dzialo] Yes. I have testified in nine previous financing-related regulatory  
7 proceedings, including the dockets listed below before the Commission:

8 Public Service Company of New Hampshire, DE 22-049 (Petition For Approval of  
9 Financing Transaction); Public Service Company of New Hampshire, DE 21-060  
10 (Petition For Approval of Financing Transaction); Public Service Company of New  
11 Hampshire, DE 20-072 (Petition For Approval of Financing Transaction); and Public  
12 Service Company of New Hampshire, DE 19-045 (Petition For Approval of Financing  
13 Transaction).

14  
15 **II. PURPOSE OF TESTIMONY**

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

17 A. The purpose of our testimony is to explain PSNH's Petition to issue long-term debt  
18 securities in an aggregate principal amount not to exceed \$300 million (the "Long-Term  
19 Debt") during a period from the date of the Commission's order in this docket through  
20 December 31, 2024 (the "Authorization Period").

1   **III.   DESCRIPTION OF PROPOSED FINANCING**

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

3   A.   During the Authorization Period, PSNH proposes to issue and sell up to \$300 million in  
4       aggregate principal amount of Long-Term Debt in the form of first mortgage bonds, in  
5       one or more series, with a maturity ranging from one to 30 years. The exact amount,  
6       maturity, terms and conditions, redemption provisions, and coupon rate will be  
7       determined at the time of pricing depending on prevailing market conditions.

8

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

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

- 14               • 2024 capital expenditures are forecasted to be approximately \$515 million.
- 15               • At June 30, 2023, the Company's short-term debt balance was \$226.3 million.

16

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

18   A.   PSNH proposes the following parameters for such issuance:

- 19       1) Aggregate principal amount of Long-Term Debt issued during the Authorization  
20       Period not to exceed \$300 million.
- 21       2) The Long-Term Debt will be in the form of secured first mortgage bonds.
- 22       3) The Long-Term debt will be distributed in the public market.

1 4) Debt maturity will range from 1 to 30 years.

2 5) Coupon rate to be consistent with market rates for an instrument of similar maturity  
3 and risk at the time of issuance, with conditions that the credit spread above a fixed  
4 rate benchmark (i.e., applicable Treasury Bond) not to exceed 300 basis points (3.00  
5 percent).

6  
7 **Q. Please discuss the use of proceeds of the proposed Long-Term Debt.**

8 A. The proceeds of the issuance of up to \$300 million in Long-Term Debt will be used to:  
9 (a) refinance outstanding short-term debt; (b) finance the Company's distribution and  
10 transmission businesses capital expenditures; and (c) fund working capital needs.

11  
12 **Q. What is the estimated coupon rate for an issuance of secured Long-Term Debt**  
13 **given current market conditions?**

14 A. The following table reflects current indicative pricing of secured public debt as of  
15 October 13, 2023:

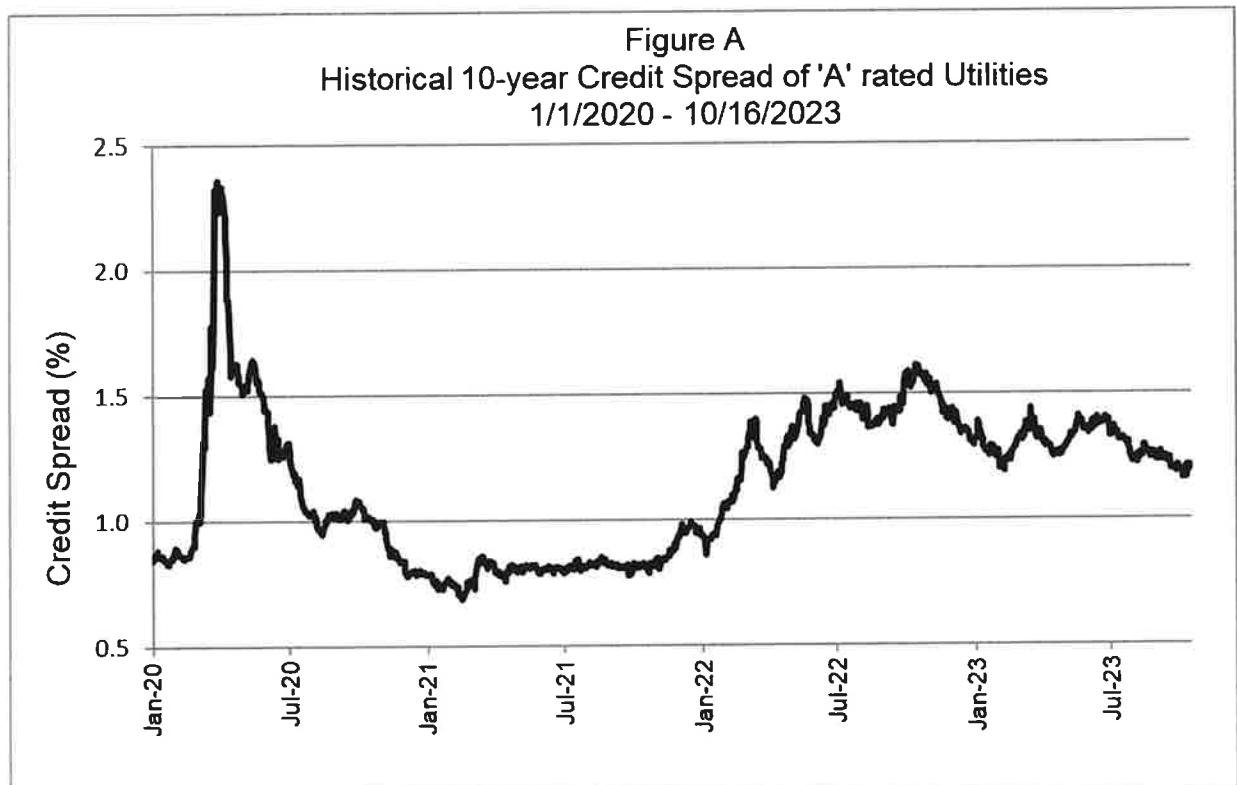
Secured Institutional Debt	10-year	30-year
U.S. Treasury Yield	4.62%	4.76%
+ Credit Spread	1.05%	1.25%
= Coupon Rate	5.67%	6.01%

16 (Source: KeyBanc Capital Markets)

17  
18 **Q. Why is PSNH requesting credit spread authority of up to 300 basis points (3.00%)?**

19 A. In determining the requested credit spread of 300 basis points, the Company considered  
20 current market rates for similarly rated securities as well as historical rates. Given that

the Company is proposing a financing plan through December 31, 2024, the plan must include sufficient flexibility to address changing market conditions and volatile markets. The graph in Figure A below, which shows the historical 10-year credit spread of “A” rated utilities from January 1, 2020 through October 16, 2023, illustrates the volatility of credit spreads. The effect that the COVID-19 pandemic initially had on the financial markets was dramatic. During just the short period between February 13, 2020 and March 27, 2020, the credit spread for “A” rated utility bonds increased 151 basis points, from 0.85% to 2.36%.



(Source: Bloomberg)

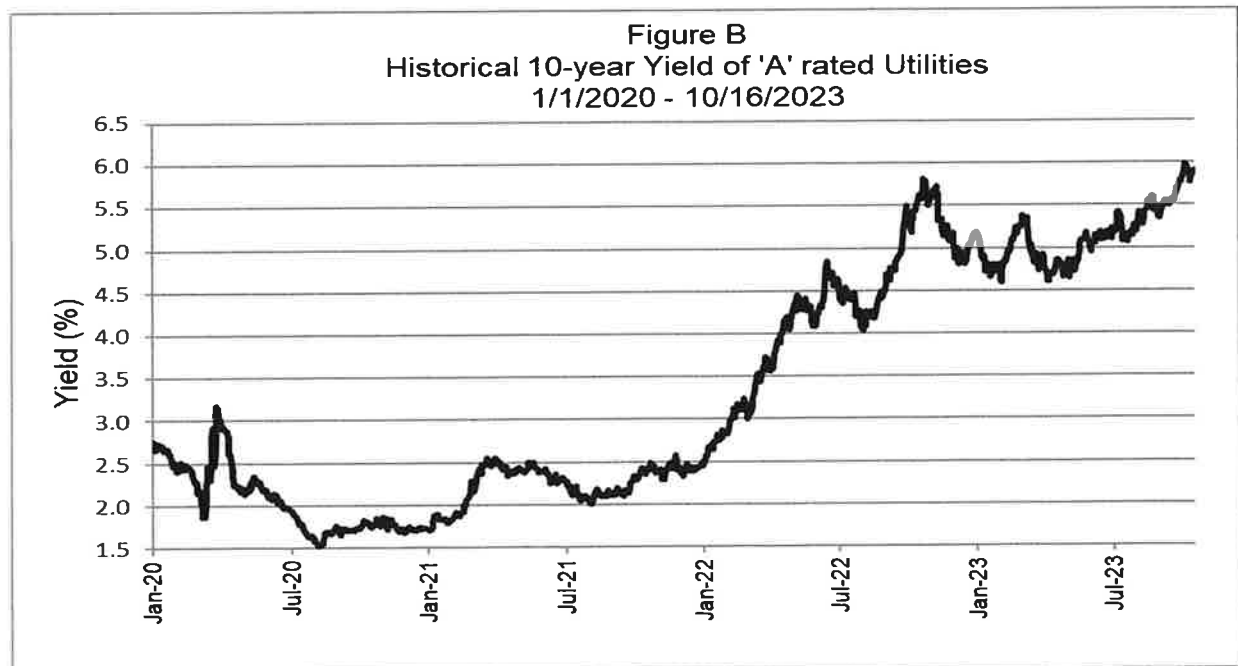
A maximum authorized credit spread of 300 basis points (3.00%) will provide PSNH with flexibility in the event of unanticipated widening of credit spreads between now and the time of issuance due to any uncertainty or volatility in the capital markets.



1 Additionally, a maximum authorized credit spread of 300 basis points is consistent with  
2 the expectation expressed by the Commission in Order No. 26,746 in Docket No. DE  
3 22-049. Last year the Company asked for and was granted authority to use a credit  
4 spread of 400 basis points, based on market conditions prevalent at the time. The  
5 Company believes that the market volatility experienced last year has abated sufficiently  
6 for the lower 300 basis point spread to be implemented this year. However, the Long-  
7 Term Debt will be issued at prevailing credit spreads, which are determined by investors  
8 at the time of pricing.

9  
10 **Q. Please describe the bond yields for similarly rated utilities?**

11 A. The graph in Figure B below illustrates historic 10-year yields from January 1, 2020  
12 through October 16, 2023 for “A” rated utilities. Over that time frame yields for “A”  
13 rated utilities have fluctuated between 1.51 percent and 5.98 percent.



14 (Source: Bloomberg)  
15

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

2    A.    No. PSNH's regulatory five-quarter average equity ratio, as of June 30, 2023, was  
3       approximately 56.78%. PSNH expects to maintain a similar regulatory equity ratio  
4       during 2024.

5

6   **Q.    Will PSNH's funds from operations ("FFO") to debt ratio be impacted by the**  
7       **issuance of the Long-Term Debt?**

8       PSNH's FFO to debt ratio, as of December 31, 2022, was 19.6%. PSNH forecasts the  
9       ratio to be approximately 17.9% percent as of December 31, 2024. PSNH does not  
10      expect the Long-Term Debt for which approval is requested in the Petition or the  
11      corresponding change in its FFO to debt ratio to impact its credit ratings.

12

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

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

16

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

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

1 **Q. Please describe PSNH's debt maturity profile as of June 30, 2023.**

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 June 30, 2023:

First Mortgage Bond Series	Amount Outstanding	Maturity Date
2005 Series M	\$50,000,000	10/5/2035
2013 Series S	\$325,000,000	11/1/2023
2019 Series T	\$300,000,000	7/1/2049
2020 Series U	\$150,000,000	9/1/2050
2021 Series V	\$350,000,000	6/15/2031
2023 Series W	\$300,000,000	1/15/2053
<b>Total Long-term Debt</b>	<b>\$1,475,000,000</b>	

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

7 A. The following table lists the estimated fees associated with the Company’s most likely  
8 financing structure in today’s market environment, which would be \$300 million of 10-  
9 year first mortgage bonds issued to institutional investors in the public market in one  
10 series.

Fee	Amount
Underwriting Fee <sup>1</sup>	1,950,000
Rating Agencies	651,000
Legal	130,000
Miscellaneous <sup>2</sup>	206,000
Total	\$ 2,937,000

1. Underwriting fees are based on an anticipated 0.65% commission for a 10-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.

3. Total fees are based on the issuance of one series, but may increase based on the actual number of series issued, the maturity of each series and market conditions at the time of issuance.

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 the Petition.

5

6    **V.    CONCLUSION**

7    **Q.    Do you believe the proposed issuance of up to \$300 million of Long-Term Debt and**  
8    **the mortgaging of property to be just and reasonable and in the public good?**

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

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

14   A.    PSNH respectfully requests that the Commission issue an Order *Nisi* approving this  
15   routine financing proposal as soon as possible, but by no later than February 15, 2024,  
16   so that the order may become final by February 29, 2024. That timing will enable the  
17   Company to access the market in March 2024 if the Company's short-term debt balances  
18   are approaching the Company's Board of Directors limit of \$300 million.

19

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

21   A.    Yes, it does.