

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

DOCKET NO. DE 07-070

**MOTION TO AMEND  
FINANCE ORDER TO INCREASE AUTHORIZED CREDIT SPREAD**

Pursuant to RSA 365:28, Public Service Company of New Hampshire (“PSNH”) hereby requests that the Commission amend its previous Order No. 24,781 in Docket No. DE 07-070, dated August 3, 2007 (“Order”) with respect to the authorized credit spread over Treasury rates. PSNH requests authority for a coupon rate consistent with market rates for an instrument of similar maturity and risk, with a credit spread above the Treasury rate not exceeding 300 basis points (3.0 percent). The Commission previously authorized a coupon rate consistent with market rates for an instrument of similar maturity and risk, with a credit spread above the Treasury rate not exceeding 200 basis points (2.0 percent). No other modification of the Order is requested. In support of its Motion, PSNH says the following:

1. In the Order, the Commission authorized the issuance of up to \$200 million aggregate principal amount of long-term debt securities through December 31, 2008 for the purposes of repayment of short-term debt and funding working capital needs. Consistent with PSNH’s petition and testimony, the coupon rate of such debt was required to be consistent with market rates for instruments of similar maturity and risk, with the credit spread above the comparable Treasury rate not exceeding 200 basis points (2.0 percent).

2. At the time of the Commission’s approval, the authorized credit spread of 200 basis points (2.0 percent) above Treasury rates was higher than the current market spread and intended to allow for any anticipated widening of credit spreads at the time of issuance.

3. During the third and fourth quarters of 2007 the fixed income markets have experienced extreme volatility, driven primarily by the impact to the general economy of the sub-prime mortgage crisis. This has led to significant credit tightening along with higher than anticipated credit spreads required by investors to purchase long-term debt in all sectors, including utilities.

4. PSNH experienced the impact of the widening credit spreads during the issuance of the Series N Bonds in September, 2007. Credit spreads for all maturities moved rapidly, with thirty-year bonds increasing from the range of 145 to 150 basis

points in August, 2007, to 200 to 210 basis points in late September, 2007. If this upward trend continues, PSNH may not be able to access the market for its planned March, 2008 issuance of long-term debt without increased credit spread authority. The requested maximum credit spread of 300 basis points (3.0 percent) in this petition is higher than the current market spreads, but allows for any additional widening of credit spreads between now and the time of issuance.

5. The Supplemental Testimony of Patricia C. Cosgel attached hereto is offered in support of this Motion to Amend.

6. Pursuant to RSA 365:28, the Commission may amend a previous order; however a hearing is required if the previous order was issued as a result of a hearing. A hearing on the merits of PSNH's proposed financing plans was originally held on July 24, 2007. PSNH respectfully requests that the Commission notice and schedule a hearing on this request to amend, and issue an order on or before January 31, 2008, to enable the thirty (30) day rehearing period to run and the Commission's order to become final or before March 1, 2008.

7. PSNH has discussed this Motion to Amend with the Commission Staff, the only party to Docket No. DE 07-070. The Commission Staff takes no position regarding this Motion.

WHEREFORE, PSNH respectfully requests that the Commission notice and schedule a hearing on this matter, issue an order which amends the Order and allows a coupon rate consistent with market rates for an instrument of similar maturity and risk, with a credit spread above the Treasury rate not exceeding 300 basis points (3.0 percent), and order such further relief as may be just and reasonable.

Respectfully submitted,  
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

By:   
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CERTIFICATE OF SERVICE

I hereby certify that, on the date written below, a copy of the above Consented to Motion to Amend Previous Order was hand-delivered or sent by First Class U.S. Mail, postage pre-paid, to the persons on the Service List below.

December 13, 2007

  
Catherine E. Shively

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

**DOCKET NO. DE 07-070**

**SUPPLEMENTAL TESTIMONY**  
**OF**  
**PATRICIA C. COSGEL**

*December 13, 2007*

**I. INTRODUCTION**

1 **Q. Would you please state your name, business address and position?**

2 A. My name is Patricia C. Cosgel. My business address is 107 Selden Street, Berlin,  
3 Connecticut. I am Assistant Treasurer – Finance of Northeast Utilities (“NU”)  
4 and other system companies, including Public Service Company of New  
5 Hampshire (“PSNH”, or the “Company”).

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

7 A. I am responsible for raising the capital necessary to meet PSNH’s long-term and  
8 short-term financing requirements.

9 **Q. Have you previously testified in this proceeding?**

10 A. Yes, I have.

11 **II. PURPOSE OF TESTIMONY**

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

13 A. The purpose of my testimony is to support PSNH’s request to modify the  
14 Commission’s Order No. 24,781 dated August 3, 2007. PSNH’s proposed  
15 modification requests authority for a coupon rate consistent with market rates for  
16 an instrument of similar maturity and risk, with a credit spread above the treasury  
17 rate not exceeding 300 basis points (3.00%) compared to the current authority of  
18 200 basis points (2.00%), granted by the Commission in Order No. 24,781.

### III. DESCRIPTION OF INCREASE IN ALLOWED CREDIT SPREADS

1 **Q. Why is PSNH requesting an increase in the allowed credit spreads?**

2 A. During the third and fourth quarters of 2007 the fixed income markets  
3 experienced extreme volatility, driven primarily by the impact to the general  
4 economy related to the sub-prime mortgage crisis. This led to significant credit  
5 tightening along with higher than anticipated credit spreads required by investors  
6 to purchase long-term debt in all sectors, including utilities.

7 **Q. Did PSNH witness any widening of credit spreads during the issuance of the**  
8 **2007 Series N \$70 million 10-year First Mortgage Bond (“FMB”)?**

9 A. Yes, PSNH experienced the impact of the widening credit spreads during the  
10 issuance of the Series N Bonds in September, 2007. The table below shows the  
11 quick movement in spreads from early August to the middle of September when  
12 the Series N Bonds were priced.

Date	10 Year maturity spreads	30 Year maturity spreads
09-Aug-07	1.20%	1.45-1.50%
27-Aug-07	1.35 %	1.60-1.65%
Issuance on 26-Sept-07	1.70%	2.00-2.10%

13 If this upward trend continues and the credit spread exceeds its current 2.00%  
14 maximum, PSNH may not be able to access the market for its planned March,  
15 2008 issuance of long-term debt. PSNH’s request is intended to provide it with  
16 the flexibility it needs to access the market.

1 **Q. Please summarize the current estimated credit spreads for PSNH's long-term**  
2 **debt issuance.**

3 **A. The table below provides current indicative spread levels for a PSNH FMB**  
4 **issuance based on market conditions as of November 27, 2007:**

	<b>5 year</b>	<b>10 year</b>	<b>30 year</b>
<b>Secured Institutional Debt</b>	1.75%	1.80%	2.00%

5 The credit spreads in the table above were determined based on discussions with  
6 investment banks based on current market conditions. As evident in the table,  
7 credit spreads are higher for longer term securities than for shorter term securities  
8 as a longer term represents more risk to the investor. While the requested  
9 maximum credit spread of 3.0% in this petition is higher than the current market  
10 spreads above, it allows for any additional widening of credit spreads, which may  
11 occur between now and the time of issuance.

12 **Q. Please update the estimated coupon rate for the proposed 2008 issuance given**  
13 **current market conditions.**

14 **A. The following table provides indicative pricing information (as of November 27,**  
15 **2007) for various debt maturities and first quarter 2008 interest rates based on**  
16 **Global Insight Inc. forecast from November.**

	<b>5 year</b>	<b>10 year</b>	<b>30 year</b>
Treasury Yield	4.07%	4.41%	4.67%
+ Credit Spread	1.75%	1.80%	2.00%
= Coupon Rate	5.82%	6.21%	6.67%

1 While credit spreads have widened, Treasury yields have declined with coupon  
2 rates still at relatively low levels. In September 2007, 5-year, 10-year and 30-year  
3 Treasury yields were 4.92%, 4.96% and 5.08%, respectively, compared to the  
4 lower Treasury yields projected for the first quarter of 2008 in the table above.  
5 This decline in expected Treasury yields has somewhat mitigated the impact of the  
6 recent rise in credit spreads. Therefore, an increase in the credit spread may, but  
7 will not necessarily result in the same increase in PSNH's overall coupon rates.

8 Ultimately, the planned debt issuance will be priced at prevailing market rates and  
9 credit spreads, which are determined by investors in a competitive marketplace at  
10 the time of issuance.

11 **Q. Is PSNH proposing any other changes to the parameters for an issuance of**  
12 **Long-term Debt as established in Order No. 24,781?**

13 A. No, PSNH is not requesting or proposing any other changes to the parameters for  
14 Long-term Debt that were set forth in the Commission's previous order.

15 **Q. When does PSNH need the Commission's approval for this request?**

16 A. PSNH respectfully requests that the Commission issue an order approving the  
17 request by January 31, 2008 so that it may access the markets as early as March 1,  
18 2008.

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

20 A. Yes, it does.