

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

**DOCKET NO. DE 07-070**

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

March 20, 2008

**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 NU system companies, including Public Service Company of New  
5 Hampshire (“PSNH”).

6

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

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

10

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

12 A. Yes, I have.

13

14 **II. PURPOSE OF TESTIMONY**

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

16 A. The purpose of my testimony is to support PSNH’s request to modify the  
17 Commission’s Order No. 24,821 dated January 30, 2008, and Order No. 24,781  
18 dated August 3, 2007. PSNH’s proposed modification requests authority for  
19 PSNH to issue planned debt at a coupon rate consistent with market rates for an  
20 instrument of similar maturity and risk, with a credit spread above the U.S.  
21 Treasury rate not to exceed 400 basis points (4.00%) in lieu of the current

1 maximum authorized credit spread of 300 basis points (3.00%), granted by the  
2 Commission in Order No. 24,821.

### 3 4 **III. DESCRIPTION OF INCREASE IN AUTHORIZED CREDIT SPREAD**

4 **Q. Why is PSNH requesting an increase in the authorized credit spread?**

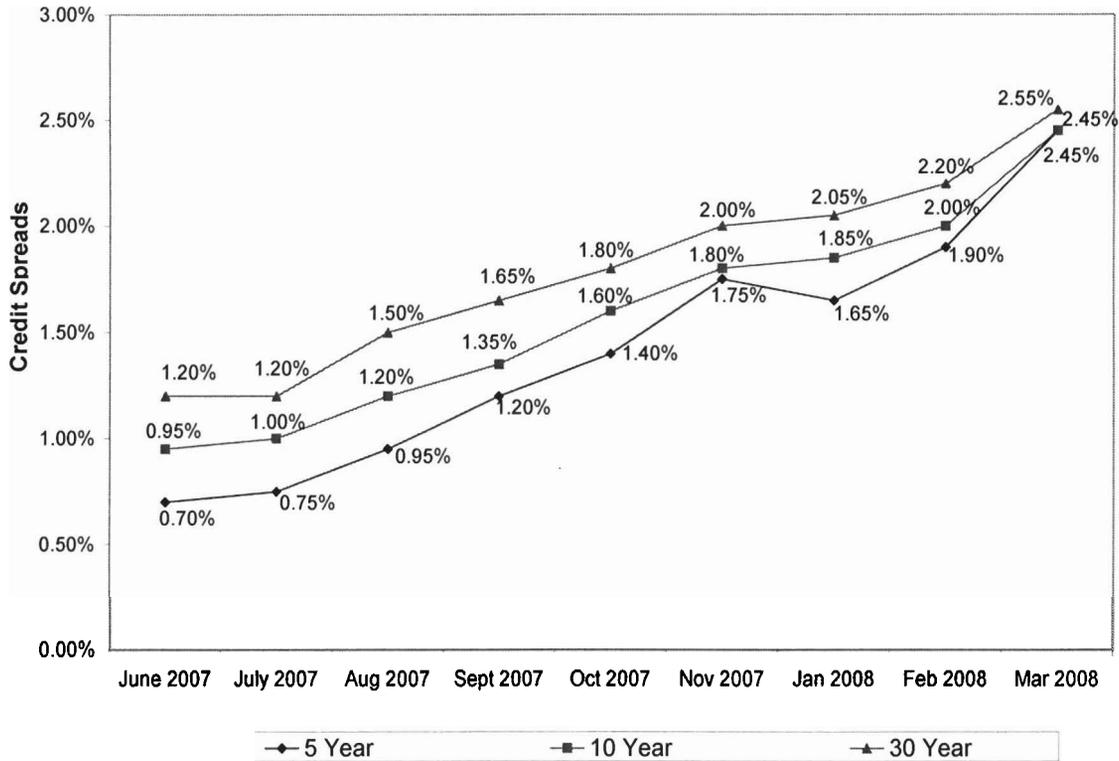
5 A. In its Motion to Amend Finance Order to Increase Authorized Credit Spread

6 PSNH previously requested an increase in the maximum authorized credit spread  
7 from 200 basis points (2.00%) to 300 basis points (3.00%). However, during the  
8 first quarter of 2008 the fixed income markets have been extremely volatile and  
9 continue to deteriorate, driven primarily by the ongoing impacts of the sub-prime  
10 mortgage credit and liquidity crisis, which have further weakened the financial  
11 sector. These factors have led to significant credit tightening in all market sectors,  
12 and hence wider credit spreads than had been originally anticipated in December,  
13 2007 when PSNH had initially requested the Commission to approve an increase  
14 in the maximum authorized credit spread.

15  
16 **Q. Did PSNH witness any widening of credit spreads after the Commission**  
17 **granted authority to increase the maximum authorized credit spread from**  
18 **200 basis points (2.00%) to 300 basis points (3.00%) in Order No. 24,821,**  
19 **dated January 30, 2008?**

20 A. Yes, there have been sharp increases in PSNH's estimated credit spreads since the  
21 beginning of this year. The chart below illustrates the movement of PSNH's

1 indicative credit spreads from June 2007 through March 2008 for 5-year, 10-year  
2 and 30-year long-term debt issuances.



As shown in the above chart, at the time of the hearing and the most recent Commission Order authorizing a maximum credit spread of 300 basis points, credit spreads were well below the 300 basis point limit. Credit spreads continued to increase moderately in February, but rose significantly in March. Smaller transactions (less than \$250 million in size) could require a minimum 15-25 basis points premium for 10-year and 30-year long-term debt issuances, which is not shown in the chart above. Please refer to Attachment PCC-1 for more information.

1 If this recent upward trend continues and the credit spreads exceed the current  
2 3.00% maximum, PSNH will not be able to access the market for its planned  
3 issuance of long-term debt. PSNH's request is intended to provide it with the  
4 flexibility it needs to access the market in light of current market conditions.  
5

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

8 A. PSNH entered into an interest rate swap with a counterparty to hedge its \$110  
9 million fixed rate long-term debt issuance planned for May of this year. The  
10 benchmark 10-year treasury rate was fixed at 3.866 percent. Based on the current  
11 indicative spread of 2.60 percent for the 10-year maturity, the proposed coupon  
12 rate would be 6.466 percent. However, the actual coupon rate will be based on  
13 the spread at the time of the issuance.  
14

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

17 A. No, PSNH is not requesting or proposing any other changes to the parameters for  
18 long-term debt that were set forth in the Commission's previous order.  
19

20 **Q. Please provide the most recent indicative pricing update as provided by your**  
21 **investment banks.**

22 A. Attachment PCC-1 summarizes the indicative pricing update as provided by  
23 Barclays Bank on March 20, 2008.

1 **Q. Please provide the most recent Global Insight interest rate forecast.**

2 A. Attachment PCC-2 summarizes the Global Insight interest rate forecast, dated  
3 March 7, 2008.

4

5 **Q. Considering PSNH's \$200 million authorized financing limit and its**  
6 **September 2007 issuance of \$70 million of bonds, please provide the face**  
7 **amount of bonds PSNH intends to issue in 2008.**

8 A. PSNH currently intends to issue approximately \$110 million in new long-term  
9 debt in May 2008. PSNH does not anticipate the need to issue the remaining \$20  
10 million prior to the end of 2008.

11

12 **Q. Is PSNH seeking to increase the maximum authorized credit spread through**  
13 **December 31, 2008?**

14 A. Yes. PSNH is seeking to increase the maximum authorized credit spread to 400  
15 basis points for the financing transaction planned for May 2008. Market or  
16 business conditions could be such that a delay or acceleration in the execution of  
17 this transaction from the planned issuance would be in the best interest of  
18 ratepayers. Accordingly, PSNH requests that the Commission authorize this  
19 increase through December 31, 2008.

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

2 A. PSNH respectfully requests that the Commission issue an order approving the  
3 request as soon as possible but no later than April 22, 2008, so that it may access  
4 the market in May 2008.

5

6 **Q. Do you believe the proposed financing, with the requested credit spread limit**  
7 **increase to 400 basis points (4.00%) above the U.S. Treasury rate, is in the**  
8 **public good?**

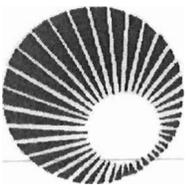
9 A. Yes.

10

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

12 A. Yes, it does.

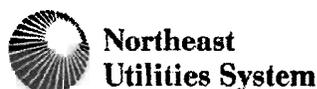
Barclays Capital



**Northeast  
Utilities System**

# Indicative New Issue Pricing and Trading Levels

March 20, 2008



## Indicative New Issue Pricing: Public Service of New Hampshire FMBs (Baa1/BBB+)

Index Eligible\*  
Public Service of  
New Hampshire  
Offering

Maturity	2 Years	3 Years	5 Years	7 Years	10 Years	12 Years	15 Years	20 Years	30 Years
<b>Fixed Issuance</b>									
Benchmark	2% 2/10	4.5% 2/11	2.75% 2/13	4% 2/15	3.5% 2/18	3.5% 2/18	3.5% 2/18	4.75% 2/37	4.75% 2/37
Benchmark Yield	1.530%	1.650%	2.370%	2.610%	3.350%	3.350%	3.350%	4.200%	4.200%
Reoffer Spread	+255 area	+250 area	+245 area	+260 area	+240 - 245	+265 - 270	+290 - 295	+245 - 250	+250 - 255
Reoffer Yield	4.08% area	4.15% area	4.82% area	5.21% area	5.75% - 5.80%	6.00% - 6.05%	6.25% - 6.30%	6.65% - 6.70%	6.70% - 6.75%
Underwriting Commission	0.250%	0.350%	0.600%	0.625%	0.650%	0.675%	0.750%	0.875%	0.875%
All-in Yield	4.21% area	4.28% area	4.96% area	5.32% area	5.84% - 5.89%	6.08% - 6.13%	6.33% - 6.38%	6.73% - 6.78%	6.77% - 6.82%
<b>Swapped to LIBOR Levels</b>									
Swap Spread	+82	+100	+82	+97	+59	+78	+95	+23	+30
Reoffer versus LIBOR	\$L+ 173 area	\$L+ 150 area	\$L+ 163 area	\$L+ 163 area	\$L+ 181 - 186	\$L+ 187 - 192	\$L+ 195 - 200	\$L+ 222 - 227	\$L+ 220 - 225
versus LIBOR	\$L+ 186 area	\$L+ 163 area	\$L+ 177 area	\$L+ 174 area	\$L+ 190 - 195	\$L+ 195 - 200	\$L+ 203 - 208	\$L+ 230 - 235	\$L+ 227 - 232

Benchmark and reoffer spreads as of 3/20/2008.

Non-Index Eligible  
Public Service of  
New Hampshire  
Offering

Maturity	2 Years	3 Years	5 Years	7 Years	10 Years	12 Years	15 Years	20 Years	30 Years
<b>Fixed Issuance</b>									
Benchmark	2% 2/10	4.5% 2/11	2.75% 2/13	4% 2/15	3.5% 2/18	3.5% 2/18	3.5% 2/18	4.75% 2/37	4.75% 2/37
Benchmark Yield	1.530%	1.650%	2.370%	2.610%	3.350%	3.350%	3.350%	4.200%	4.200%
Reoffer Spread	+280 area	+275 area	+270 area	+285 area	+255 - 260	+280 - 285	+305 - 310	+260 - 265	+265 - 270
Reoffer Yield	4.33% area	4.40% area	5.07% area	5.46% area	5.90% - 5.95%	6.15% - 6.20%	6.40% - 6.45%	6.80% - 6.85%	6.85% - 6.90%
Underwriting Commission	0.250%	0.350%	0.600%	0.625%	0.650%	0.675%	0.750%	0.875%	0.875%
All-in Yield	4.46% area	4.53% area	5.21% area	5.57% area	5.99% - 6.04%	6.23% - 6.28%	6.48% - 6.53%	6.88% - 6.93%	6.92% - 6.97%
<b>Swapped to LIBOR Levels</b>									
Swap Spread	+82	+100	+82	+97	+59	+78	+95	+23	+30
Reoffer versus LIBOR	\$L+ 198 area	\$L+ 175 area	\$L+ 188 area	\$L+ 188 area	\$L+ 196 - 201	\$L+ 202 - 207	\$L+ 210 - 215	\$L+ 237 - 242	\$L+ 235 - 240
versus LIBOR	\$L+ 211 area	\$L+ 188 area	\$L+ 202 area	\$L+ 199 area	\$L+ 205 - 210	\$L+ 210 - 215	\$L+ 218 - 223	\$L+ 245 - 250	\$L+ 242 - 247

Benchmark and reoffer spreads as of 3/20/2008.

\* A series of notes must be at least \$250mm in size to be Index eligible



Given the dislocation in the capital markets, liquidity has grown in importance. As a result, investors are charging a premium to buy smaller, less liquid transactions.



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Data request from Treasury  
Latest Request - 7 Mar 2008

Source: Economic and Load Forecasting  
J. K. Hagerty x701.3497  
from - Global Insight, Control0308

**Control Forecast:** Control0308

<u>Year</u>	<u>Effective Federal Funds Rate</u>	<u>Discount Rate on 3-Month Treasury Bills</u>	<u>Discount Rate on 6-Month Treasury Bills</u>	<u>Treasury Bill Avg Mkt Yield (52-Week)</u>	<u>Treasury Bill Avg Mkt Yield (2-Year)</u>	<u>Treasury Notes Avg Mkt Yield (5-Year)</u>	<u>Treasury Notes Avg Mkt Yield (10-Year)</u>	<u>Treasury Bonds Avg Mkt Yield (30-Year)</u>	<u>LIBOR (3-Month)</u>	<u>Prime Commercial Paper (90-Days)</u>	<u>Yield on Corporate Bonds Aaa-rated</u>	<u>Yield on Corporate Bonds Baa-rated</u>	<u>Public Utility Bonds Aa-rated</u>	<u>Prime Rate</u>
2007	5.019%	4.380%	4.453%	4.522%	4.358%	4.425%	4.629%	4.835%	5.309%	4.987%	5.556%	6.483%	5.942%	8.050%
2008	2.388%	1.738%	1.748%	1.789%	1.763%	2.438%	3.401%	4.088%	2.687%	2.290%	5.172%	6.436%	5.762%	5.394%
2009	2.716%	2.584%	2.684%	2.795%	2.870%	3.225%	3.940%	4.346%	3.289%	3.036%	5.397%	6.486%	5.966%	5.716%
2010	4.483%	4.345%	4.445%	4.585%	4.726%	4.909%	5.156%	5.506%	4.985%	4.805%	6.337%	7.367%	6.847%	7.483%
2011	4.750%	4.590%	4.690%	4.830%	4.980%	5.160%	5.390%	5.740%	5.230%	5.050%	6.550%	7.580%	7.060%	7.750%
2012	4.750%	4.590%	4.690%	4.830%	4.980%	5.160%	5.390%	5.740%	5.230%	5.050%	6.550%	7.580%	7.060%	7.750%
2013	4.750%	4.590%	4.690%	4.830%	4.980%	5.160%	5.390%	5.740%	5.230%	5.050%	6.550%	7.580%	7.060%	7.750%
2014	4.750%	4.590%	4.690%	4.830%	4.980%	5.160%	5.390%	5.740%	5.230%	5.050%	6.550%	7.580%	7.060%	7.750%
2015	4.750%	4.590%	4.690%	4.830%	4.980%	5.160%	5.390%	5.740%	5.230%	5.050%	6.550%	7.580%	7.060%	7.750%
2016	4.750%	4.590%	4.690%	4.830%	4.980%	5.160%	5.390%	5.740%	5.230%	5.050%	6.550%	7.580%	7.060%	7.750%
2017	4.750%	4.590%	4.690%	4.830%	4.980%	5.160%	5.390%	5.740%	5.230%	5.050%	6.550%	7.580%	7.060%	7.750%
2018	4.750%	4.590%	4.690%	4.830%	4.980%	5.160%	5.390%	5.740%	5.230%	5.050%	6.550%	7.580%	7.060%	7.750%

<u>Yr:Qtr</u>	<u>Effective Federal Funds Rate</u>	<u>Discount Rate on 3-Month Treasury Bills</u>	<u>Discount Rate on 6-Month Treasury Bills</u>	<u>Treasury Bill Avg Mkt Yield (52-Week)</u>	<u>Treasury Bill Avg Mkt Yield (2-Year)</u>	<u>Treasury Notes Avg Mkt Yield (5-Year)</u>	<u>Treasury Notes Avg Mkt Yield (10-Year)</u>	<u>Treasury Bonds Avg Mkt Yield (30-Year)</u>	<u>LIBOR (3-Month)</u>	<u>Prime Commercial Paper (90-Days)</u>	<u>Yield on Corporate Bonds Aaa-rated</u>	<u>Yield on Corporate Bonds Baa-rated</u>	<u>Public Utility Bonds Aa-rated</u>	<u>Prime Rate</u>
2007:1	5.257%	4.981%	4.935%	5.010%	4.767%	4.647%	4.680%	4.798%	5.325%	5.183%	5.363%	6.297%	5.724%	8.250%
2007:2	5.250%	4.747%	4.801%	4.933%	4.807%	4.763%	4.847%	4.990%	5.323%	5.207%	5.577%	6.493%	5.958%	8.250%
2007:3	5.073%	4.351%	4.462%	4.523%	4.380%	4.503%	4.730%	4.944%	5.465%	5.130%	5.753%	6.630%	6.105%	8.177%
2007:4	4.497%	3.442%	3.614%	3.620%	3.477%	3.787%	4.260%	4.608%	5.123%	4.427%	5.530%	6.510%	5.981%	7.523%
2008:1	3.230%	2.239%	2.192%	2.179%	2.042%	2.752%	3.652%	4.399%	3.359%	2.852%	5.425%	6.705%	5.955%	6.257%
2008:2	2.320%	1.543%	1.520%	1.540%	1.506%	2.276%	3.293%	4.096%	2.540%	2.150%	5.146%	6.450%	5.720%	5.320%
2008:3	2.000%	1.541%	1.581%	1.648%	1.675%	2.321%	3.298%	3.928%	2.405%	2.045%	5.065%	6.325%	5.671%	5.000%
2008:4	2.000%	1.630%	1.700%	1.790%	1.830%	2.403%	3.360%	3.930%	2.447%	2.113%	5.053%	6.263%	5.703%	5.000%
2009:1	2.033%	1.847%	1.947%	2.047%	2.100%	2.590%	3.480%	3.960%	2.620%	2.317%	5.080%	6.247%	5.727%	5.033%
2009:2	2.423%	2.285%	2.385%	2.491%	2.558%	2.948%	3.745%	4.168%	3.011%	2.728%	5.255%	6.365%	5.845%	5.423%
2009:3	2.937%	2.819%	2.919%	3.035%	3.119%	3.429%	4.092%	4.465%	3.489%	3.249%	5.502%	6.552%	6.032%	5.937%
2009:4	3.470%	3.385%	3.485%	3.605%	3.702%	3.932%	4.442%	4.792%	4.035%	3.849%	5.752%	6.782%	6.262%	6.470%