

## 1 STATE OF NEW HAMPSHIRE

## 2 PUBLIC UTILITIES COMMISSION

3  
4 August 11, 2009 - 10:15 a.m.  
Concord, New Hampshire5  
6 RE: DE 09-033  
7 PUBLIC SERVICE OF NEW HAMPSHIRE:  
8 Petition for Approval of the Issuance  
of Long Term Debt Securities.9  
10 PRESENT: Chairman Thomas B. Getz, Presiding  
Commissioner Clifton C. Below11  
12 Sandy Deno, Clerk13  
14 APPEARANCES: Reptg. Public Service of New Hampshire:  
Catherine E. Shively, Esq.15  
16 Reptg. Conservation Law Foundation:  
Melissa A. Hoffer, Esq.17  
18 Reptg. Residential Ratepayers:  
Meredith Hatfield, Esq., Consumer Advocate  
Kenneth E. Traum, Asst. Consumer Advocate  
Office of Consumer Advocate19  
20 Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.  
Thomas C. Frantz, Director - Electric Div.  
21 Steven E. Mullen, Asst. Dir. - Electric Div.22  
23 Court Reporter: Steven E. Patnaude, LCR No. 52

24

ORIGINAL  
NHPUC AUG27'09 AM11:15



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Petition by PSNH, including the Testimony of Randy A. Shoop, with attachments	7
2	Updated revised Attachments 3, 4, and 5 in response to Data Request OCA Set 1/Q-NOCA Set 1-013-SP01	8
3	Responses to various Data Requests, identified as Q-Staff 01-017, Q-OCA 03-001, 02-007, 01-001, 01-002, 01-005, 01-006, 01-010	9
4 stricken	Response to Data Request STAFF-02, Q-STAFF-002 - <u>STRICKEN FROM RECORD</u> > (Complete data request response found in Exhibit 6, at Pages 14 & 15)	17 57
5	Response to Data Request NSTF-01, Q-STAFF-017	23
6	Compilation of various responses to data requests (54 pages)	23

## P R O C E E D I N G

1  
2 CHAIRMAN GETZ: Okay. Good morning,  
3 everyone. We'll open the hearing in docket DE 09-033. On  
4 February 20, 2009, Public Service Company of New Hampshire  
5 filed a petition seeking authority to issue up to  
6 \$150 million in principle amount of long-term debt  
7 securities through December 31, 2009, and mortgage its  
8 property in connection with the issuance of long-term debt  
9 to enter into an interest rate transaction, to manage  
10 interest rate risk, and to increase its short-term debt  
11 limit to 10 percent of net fixed plant, plus a fixed  
12 amount of \$60 million. The order of notice was issued on  
13 March 6, which, among other things, scheduled a prehearing  
14 conference for March 29. Subsequently, on June 19th, an  
15 order was issued defining the scope of the proceeding.

16 Let's take appearances at this time  
17 please.

18 MS. SHIVELY: Good morning. Catherine  
19 Shively, for Public Service Company of New Hampshire.

20 CHAIRMAN GETZ: Good morning.

21 CMSR. BELOW: Good morning.

22 CHAIRMAN GETZ: Ms. Hoffer.

23 MS. HOFFER: Melissa Hoffer,  
24 Conservation Law Foundation.

1 CHAIRMAN GETZ: Good morning.

2 CMSR. BELOW: Good morning.

3 MS. HOFFER: Good morning.

4 MS. HATFIELD: Good morning,

5 Commissioners. Meredith Hatfield, for the Office of  
6 Consumer Advocate, on behalf of residential ratepayers,  
7 and with me is Ken Traum.

8 CHAIRMAN GETZ: Good morning.

9 CMSR. BELOW: Good morning.

10 MS. AMIDON: Good morning. Suzanne  
11 Amidon, for Commission Staff. And, to my far left is Tom  
12 Frantz, who is the Director of the Electric Division, and  
13 to my immediate left is Steve Mullen, who is the Assistant  
14 Director of the Electric Division.

15 CHAIRMAN GETZ: Good morning.

16 CMSR. BELOW: Good morning.

17 CHAIRMAN GETZ: Is there anything we  
18 need to address before we hear the direct presentation  
19 from the Company?

20 MS. HOFFER: I just have a few  
21 preliminary matters. I just did want to alert the  
22 Commission to the fact that CLF plans to file a Motion for  
23 Rehearing on the Commission's August 6 denial of our  
24 Motion to Compel in this matter. And, we, for the record,

[WITNESS: Shoop]

1 I just would like to note our objection to proceeding here  
2 today before the 30 day period for rehearing has expired.

3 CHAIRMAN GETZ: Okay. So noted.

4 Anything else?

5 (No verbal response)

6 CHAIRMAN GETZ: Hearing nothing, then,

7 Ms. Shively.

8 MS. SHIVELY: Okay. I'd like to call

9 Randy Shoop.

10 CHAIRMAN GETZ: Actually, off the record  
11 for a second.

12 (Off the record.)

13 CHAIRMAN GETZ: Okay. Back on the  
14 record.

15 (Whereupon Randy A. Shoop was duly sworn  
16 and cautioned by the Court Reporter.)

17 RANDY A. SHOOP, SWORN

18 DIRECT EXAMINATION

19 BY MS. SHIVELY:

20 Q. Would you please state your name and business address  
21 for the record.

22 A. Randy Shoop, 107 Selden Street, Berlin, Connecticut.

23 Q. And, what is your position?

24 A. I am the Treasurer of PSNH, as well as Northeast

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 Utilities and our other operating companies in  
2 Connecticut, CL&P, and in Massachusetts, Western  
3 Massachusetts Electric Company.

4 Q. And, what are your duties in that position?

5 A. As a Treasurer, I have several duties. But, generally,  
6 it is to assure the financing of those businesses,  
7 raising long-term debt, short-term debt, in the capital  
8 markets and bank markets, also responsibilities include  
9 treasury operations, cash management, claims in  
10 insurance areas, and pension investments.

11 Q. Okay. And, are you familiar with the petition the  
12 Company filed in this proceeding?

13 A. Yes.

14 Q. And, did you also prepare testimony in this proceeding?

15 A. Yes.

16 MS. SHIVELY: I'd like to mark the  
17 Company's petition and Mr. Shoop's testimony as "Exhibit  
18 1".

19 CHAIRMAN GETZ: Be so marked.

20 (The document, as described, was  
21 herewith marked as **Exhibit 1** for  
22 identification.)

23 BY MS. SHIVELY:

24 Q. And, Mr. Shoop, were certain of the attachments to the

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 Company's petition updated as the case proceeded?

2 A. Yes.

3 MS. SHIVELY: Yes. And, actually, in  
4 response to a discovery request of the parties. And, we'd  
5 like to mark that update as "Exhibit 2".

6 CHAIRMAN GETZ: That will be so marked.

7 (The document, as described, was  
8 herewith marked as **Exhibit 2** for  
9 identification.)

10 BY MS. SHIVELY:

11 Q. Okay. And, also, did you respond to data requests in  
12 this proceeding as well?

13 A. Yes.

14 Q. I'd ask Mr. Hall to show you certain of the data  
15 responses. And, were these prepared by you or under  
16 your direction and supervision?

17 A. Yes.

18 MS. SHIVELY: And, we'd like to mark  
19 those data responses as Exhibit 3.

20 MS. HATFIELD: Mr. Chairman, could we  
21 get a copy of Exhibits 2 and 3?

22 MR. HALL: Yes.

23 CHAIRMAN GETZ: Okay. They will be  
24 marked for identification as "Exhibit Number 3".

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 (The document, as described, was  
2 herewith marked as Exhibit 3 for  
3 identification.)

4 BY MS. SHIVELY:

5 Q. Now, Mr. Shoop, could you summarize your testimony in  
6 the case for the Commission.

7 A. Yes. Sure. Although, I think the Commission  
8 summarized it very good and briefly as well. This  
9 application is asking generally for three requests:  
10 The authority to increase the current short-term debt  
11 limit to a fixed amount of \$60 million, that would be  
12 10 percent of net fixed plant, plus \$60 million; also  
13 for the issuance of long-term debt up to \$150 million  
14 through the end of 2009; as well as the potential  
15 execution of an interest rate management transaction.

16 Q. Okay. And, Mr. Shoop, is the Company's request  
17 something you would consider a routine request, similar  
18 to other requests that the Company has made in the  
19 past?

20 A. Yes, very similar.

21 MS. SHIVELY: The witness is available  
22 for cross-examination.

23 CHAIRMAN GETZ: Okay. Thank you.

24 Ms. Hoffer.

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 MS. HOFFER: Good afternoon, Mr. Shoop.

2 WITNESS SHOOP: Good morning.

3 MS. HOFFER: I'm Melissa Hoffer for  
4 Conservation Law Foundation.

5 **CROSS-EXAMINATION**

6 BY MS. HOFFER:

7 Q. Can you point me to the place in your testimony where  
8 you discuss rate impacts of the proposed financing?

9 A. I don't believe that is included in my testimony.

10 Q. Can you tell me if PSNH has calculated the impact of  
11 the proposed financing on either the Energy Service,  
12 distribution, transmission rates?

13 A. There was a data request asking for that, and we did  
14 provide that.

15 MS. HOFFER: Okay. I happen to have a  
16 few copies of that data request.

17 (Atty. Hoffer handing document to the  
18 witness.)

19 CHAIRMAN GETZ: Is that part of  
20 Exhibit 2 or Exhibit 3 or is this another data response?

21 MS. HOFFER: I don't plan to introduce  
22 it as an exhibit.

23 MS. SHIVELY: It is part of Exhibit 3.

24 MS. HATFIELD: It begins on Page 24, I

[WITNESS: Shoop]

1 believe.

2 BY MS. HOFFER:

3 Q. Maybe taking a moment to review this, Mr. Shoop, can  
4 you state for the record what you had calculated the  
5 impact on Energy Service rates to be?

6 A. As this data request provides that response, I believe  
7 that the cost of this bond issue would be very  
8 immaterial. As this response calculates, all things  
9 being equal, and this gets to be a very specific  
10 request, because there's many other things that would  
11 go into the cost of Energy Service. But, as it relates  
12 to this financing, the increased cost would be  
13 approximately two one-thousandths of a cent per  
14 kilowatt-hour, 0.00002.

15 Q. Thank you. Did the Company perform a calculation of  
16 what the impact would be on the distribution rates?

17 A. We did not provide that. But, generally speaking,  
18 distribution rate base is about double generation. So,  
19 rough numbers, that number would be about four  
20 one-thousandths, 0.00004 cents per kilowatt-hour.

21 Q. Did the Company perform a calculation of what the  
22 impact of the proposed financing would be on  
23 transmission rates?

24 A. I'm not aware of that. And, I, frankly, can't even

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 give you a good, rough ballpark.

2 Q. And, so, as of today, do you have or could you tell us  
3 what the total rate impact of the proposed financing  
4 will be?

5 A. No, I really don't know that, because I don't know the  
6 transmission piece. Suffice it to say, I think it  
7 would be very immaterial.

8 Q. Thank you. PSNH in this response provided the  
9 estimated Energy Service rate impact and the  
10 calculation therefore for 2009. Does the Company or  
11 can you tell us today what the impact on Energy  
12 Service, distribution and transmission rates of the  
13 proposed financing will be for the years 2010, 2011,  
14 2012, and 2013 will be?

15 A. I don't have that information available for you. But,  
16 again, it would be very immaterial, because it's the  
17 increase of this financing over the rate base. Without  
18 a significant increase in the rate base, it's still  
19 going to be an immaterial number, on a per kWh basis.

20 Q. Has PSNH projected the average rate base for 2013?

21 A. I don't have that information with me, no.

22 Q. If you would turn to Workpaper 1, which is attached to  
23 the data request that I provided to you.

24 A. Yes.

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 Q. Could you walk us through how the calculation was  
2 performed?

3 A. Workpaper 1 has the average rate base of about \$384  
4 billion -- million dollars -- billion dollars. It then  
5 increases or it then takes a 0.04 percent, which is a  
6 reference to the Workpaper Number 2, and basically what  
7 that 0.04 represents is an increase in the weighted  
8 average cost of capital by doing this transaction. So,  
9 you have the expected increase in the weighted average  
10 cost of capital, times the rate base, is a resulting  
11 increase in revenue requirements of about 163 million.

12 CMSR. BELOW: Excuse me, isn't that a  
13 thousand there?

14 WITNESS SHOOP: 384 million. I said  
15 "billion", didn't I? 384,115,000, that's correct. So,  
16 the increase in revenue requirement is about 163,000,  
17 divided by sales in kilowatt-hours, gives you the impact  
18 on Energy Service of about two one-thousandths of a cent.

19 MS. HOFFER: Thank you.

20 BY MS. HOFFER:

21 Q. Does Line D reflect the forecasted sales across all  
22 customer classes?

23 A. I'm not certain of that. But I believe that would be  
24 true.

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 Q. Focusing on Line D again, "Sales in kilowatt-hours",  
2 could you tell us what assumption PSNH used in  
3 determining that the 2009 forecasted sales in  
4 kilowatt-hours would be 7,963,325,000?

5 A. I don't know all the assumptions that support that  
6 number.

7 Q. If Line D were to decrease, the impact of the financing  
8 on Energy Service rates would increase, correct? So,  
9 for example, if we halved the forecasted sales, we  
10 would see an approximate doubling in the impact on  
11 rates?

12 A. It certainly would have that impact on rates, the  
13 simple math, dividing it over that sales.

14 Q. Has PSNH calculated its rate impacts with an eye toward  
15 accounting for synergistic effects of the increase in  
16 average rate base and potential decrease in sales?

17 A. Not to my knowledge.

18 MS. HOFFER: Thank you. That's all.

19 CHAIRMAN GETZ: Okay. Thank you. Ms.  
20 Hatfield.

21 MS. HATFIELD: Thank you, Mr. Chairman.  
22 Good morning, Mr. Shoop.

23 WITNESS SHOOP: Good morning.

24 BY MS. HATFIELD:

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 Q. Is it true that the proposed financing will be used to  
2 fund projects within generation, distribution, and  
3 transmission parts of the Company?

4 A. Not directly, but that's a true statement.

5 Q. Can you expand on that?

6 A. Sure. The use of the proceeds, as I've said in the  
7 testimony, and we've asked -- answered a number of  
8 interrogatories as well, is used to -- will be used to  
9 refinance existing short-term debt, both incurred from  
10 our revolving credit facility that PSNH has with a  
11 syndication of banks, as well as monies that may have  
12 been incurred through the NU System money pool.  
13 Conversely, those balances that were drawn on those two  
14 facilities were used to fund working capital, as well  
15 as capital expenditures, including projects, such as  
16 generation, transmission, and distribution. But  
17 there's just not a direct link between use of proceeds  
18 and a specific project.

19 Q. And, in your testimony in this case that I believe has  
20 been marked as "Exhibit 1", do you discuss the uses of  
21 the proceeds, in terms of specific projects or even  
22 types of projects?

23 A. I'm not sure that that specific uses of proceeds is  
24 addressed in the testimony, but it certainly is

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 addressed in a number of places in the interrogatories  
2 that followed.

3 Q. I'd like to show you one of your responses to a data  
4 request. If you could just identify that it is a  
5 response that you made?

6 A. Yes, it is a response.

7 Q. And, it shows on the upper right-hand corner this is  
8 Staff Number 2 -- excuse me, Staff Set 2, and also  
9 Question Number 2, dated April 17th, 2009, is that  
10 correct?

11 A. Yes.

12 Q. If you would look at the second paragraph of your  
13 response, it states "The primary reason that operating  
14 revenues have been increased each year is due to the  
15 assumed rate relief for all segments to cover  
16 [recover?] higher projected operating costs and the  
17 return associated with the Company's capital  
18 investment." Do you see that?

19 A. Yes.

20 Q. Can you explain what you mean when you use the term  
21 here "rate relief"? We usually think of "rate relief"  
22 at the OCA as "rate relief for customers". But it  
23 sounds like here you're actually using the term in a  
24 different way.

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 A. Yes, I would agree with that interpretation. And, as  
2 it relates to this sentence, "rate relief" would be  
3 additional income to PSNH.

4 MS. HATFIELD: Mr. Chairman, I'd like to  
5 have this marked as an exhibit.

6 CHAIRMAN GETZ: We will mark it for  
7 identification as "Exhibit Number 4".

8 (The document, as described, was  
9 herewith marked as **Exhibit 4** for  
10 identification.)

11 MS. SHIVELY: Okay. Do you also have  
12 the attachment that goes with that?

13 MS. HATFIELD: I don't. I just have  
14 this one page. I'd be happy to supplement it, though.

15 MS. SHIVELY: Yes. I would object to it  
16 being marked without the attachment that goes with it.

17 CHAIRMAN GETZ: Well, it does say "Page  
18 1 of 2". We'll complete it with the second page and we'll  
19 mark it for identification.

20 MS. AMIDON: Mr. Chairman, just to let  
21 you know, Staff will be offering an exhibit which includes  
22 several data requests and responses, and this is one of  
23 them, and Page 2 will be in that, --

24 CHAIRMAN GETZ: Okay. Thank you.

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 MS. HATFIELD: Thank you.

2 MS. AMIDON: -- in that exhibit.

3 BY MS. HATFIELD:

4 Q. Mr. Shoop, will you be seeking tax-exempt status for  
5 any of the financing that's the subject of this  
6 proceeding?

7 A. Not at this time, no.

8 Q. And, why not?

9 A. Historically, tax-exempt financing has been more  
10 attractive than a taxable financing, which this  
11 transaction would be, if we receive such order. Given  
12 the current conditions in the credit markets,  
13 tax-exempt paper does not have that same historical  
14 attractiveness to it. As a matter of fact, near year  
15 end 2008, tax-exempt rates were, in fact, even higher  
16 than taxable rates. Something you would not expect.  
17 Historically, the number has been maybe 80 to  
18 85 percent of taxable rates. That number is probably  
19 more like 95 percent of taxable rates today. So, the  
20 historical advantage doesn't present itself in the  
21 market today.

22 At the same time, we're not fully  
23 prepared to seek a tax-exempt financing under the IRS  
24 Code for a qualifying project of a potential -- of the

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 potential project that might qualify with the Scrubber  
2 Project that is in process. But, again, a lot more  
3 work would have to be done to determine if it  
4 qualified. And, if it qualified, how much of the  
5 project's costs would qualify. But we could certainly  
6 do that in the future.

7 Q. And, do you think that the Company will pursue that in  
8 the future?

9 A. I think that there's certainly a good opportunity for  
10 us to continue to look at that, continue to work with  
11 engineers, lawyers, tax lawyers particularly, on  
12 whether a significant portion of the project could  
13 qualify. You know, and "significant" might be 25,  
14 30 percent of those project costs, to make a meaningful  
15 transaction of maybe \$100 million would be a nice size  
16 transaction that you could go to the market with. But  
17 much more work would need to be done to do that.  
18 Again, we filed for and received an inducement  
19 resolution from the Business Finance Authority at the  
20 beginning of this year. And, that's a significant  
21 event, in that at least it gets us in the hopper, that  
22 costs that have been incurred, if they so qualify,  
23 would qualify for a tax-exempt financing.

24 Q. During discovery I believe you stated in response to a

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 Staff question that "Northeast Utilities was  
2 anticipating making a capital contribution to PSNH in  
3 June of 2009." Do you recall that?

4 A. Yes.

5 Q. And, I believe Staff will be putting that response into  
6 the record. It's Staff 2-001. Did that capital  
7 contribution occur?

8 A. Yes, it did.

9 Q. What was the amount of it?

10 A. I'm sorry, I don't have that number in my memory. I  
11 think it was \$12 million. I'm sorry, 50 -- No, the  
12 June you said was \$52 million; 12 million is September  
13 projected.

14 Q. Thank you. In this case, is PSNH requesting the  
15 additional \$60 million of short-term debt with no end  
16 date to that increase in the short-term debt?

17 A. Yes, we are. And, what we would do is, we would  
18 continue to assess that level at the next financing,  
19 which, by the way, is probably not too long in our  
20 future. 2010 we're currently estimating that we could  
21 be looking at an additional \$250 million, \$300 million;  
22 in 2011, probably another 250, \$300 million. So,  
23 again, to this point, I view this as a normal request,  
24 and that we'll come back to the Commission to seek

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 authority to issue long-term debt. When we do that,  
2 we'll do that always with an eye towards the short-term  
3 debt authority of PSNH and that net debt plant -- net  
4 plant test. But I do believe that the 10 percent, plus  
5 the \$60 million, would be sufficient to get us to that  
6 next point.

7 Q. Also during discovery you were asked a question about  
8 the impact that a credit downgrade would have on PSNH's  
9 ability to complete planned capital projects. Do you  
10 recall that?

11 A. Yes.

12 Q. And, do you recall stating that "no changes in PSNH or  
13 NU ratings or stable outlook are anticipated"?

14 A. I do.

15 Q. Is that still true today?

16 A. There was a -- there was an increase in Moody's rating  
17 of PSNH, and, frankly, all of our operating utilities,  
18 and, more globally, utilities across the United States,  
19 in mid August. It was only about two weeks ago, mid  
20 July. What they did is they increased PSNH's secured  
21 rating to A3, from BAA, BAA3 -- BAA3 to A3. It was a  
22 technical matter. Frankly, it has no impact on the  
23 capital markets whatsoever. It was more or less priced  
24 in. So, we won't get any benefit from it,

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1           unfortunately.

2                           MS. HATFIELD: One moment please.

3 BY THE WITNESS:

4 A. I'm sorry, I said that wrong, too. It's BAA1 to A3.

5 BY MS. HATFIELD:

6 Q. I'd like to have you identify another response to a  
7 data request.

8                           (Atty. Hatfield distributing documents.)

9                           MS. HATFIELD: I'd like to have this  
10 marked as an exhibit.

11 BY MS. HATFIELD:

12 Q. Mr. Shoop, can you see that this is your response to  
13 Staff Set 1, number 17?

14 A. Yes.

15 Q. And, do you see that the question asks you "why PSNH  
16 uses a more general approach to long-term debt  
17 financing rather than an approach using  
18 project-specific financings"?

19 A. Yes.

20 Q. And, do you see that, in part, your response states  
21 that "PSNH uses a more general approach to long-term  
22 debt"?

23 A. Yes.

24                           MS. HATFIELD: Thank you.

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 CHAIRMAN GETZ: Okay. We'll mark that  
2 data response for identification as "Exhibit Number 5".

3 (The document, as described, was  
4 herewith marked as **Exhibit 5** for  
5 identification.)

6 MS. HATFIELD: That completes my  
7 questions. Thank you.

8 CHAIRMAN GETZ: Thank you. Ms. Amidon.

9 MS. AMIDON: Thank you. I have a  
10 compilation of data requests and the responses associated  
11 with them. I don't know if the witness has them, so I'm  
12 going to see if he has a copy of that?

13 WITNESS SHOOP: I do have these.

14 MS. AMIDON: Okay. And, I'd ask this to  
15 be marked for identification as "Exhibit 6".

16 CHAIRMAN GETZ: Be so marked.

17 (The document, as described, was  
18 herewith marked as **Exhibit 6** for  
19 identification.)

20 MS. AMIDON: Thank you.

21 BY MS. AMIDON:

22 Q. But, to begin with, I have just some general questions  
23 regarding your testimony. In your testimony, and it's  
24 in Exhibit 1, Bates stamp 90, you indicate that, at

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 Line 20, there is a statement that says "If the current  
2 market conditions were to exist at the proposed time of  
3 issuance, PSNH would most likely issue a \$150 million,  
4 10-year, secured, Institutional Debt offering in the  
5 second quarter of 2009." Now, the second quarter has  
6 passed. But does this statement remain correct today?

7 A. In terms of the structure of a 10-year, secured,  
8 institutional transaction, yes.

9 Q. Okay. Thank you. In your testimony, you also indicate  
10 that the Company plans to conduct some kind of interest  
11 transaction to reduce the risk of fluctuating interest  
12 rates. Is that still true?

13 A. We did certainly ask for the potential to do that.  
14 Given the passage of time, the likelihood of that  
15 changes. Because, hopefully, we're getting nearer to  
16 the point of issuing debt. And, you just don't have so  
17 much uncertainty as to time. Having said that, I don't  
18 know what the rates are tomorrow, I certainly don't  
19 know what they are next week. So, I wouldn't want to  
20 preclude the fact that we still might consider that.  
21 But, as you get closer to the transaction, the  
22 likelihood of doing it probably is not as great as it  
23 was months ago.

24 Q. But the Company still would request approval to enter

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 into such a transaction, if necessary?

2 A. Yes.

3 Q. Also in your testimony, and I believe that this was  
4 updated in a data request that probably is before you,  
5 I think it's Staff 12, you indicated that you were  
6 going to request authority for a credit spread up to  
7 600 basis points?

8 A. Yes.

9 Q. Has there been any changes in the market that would  
10 cause you to change this request?

11 A. I wouldn't change the request, but credit spreads have  
12 tightened significantly from the point where I felt  
13 uncomfortable with the credit spread that we had, which  
14 I believe was 400 basis points. We have seen a market  
15 that was exceeding 400, 500, maybe 600 basis points.  
16 So, we were at a position where we had authority to do  
17 a transaction, but for the credit spread wasn't in that  
18 range. So, we came back to the Commission and asked to  
19 increase that to what seemed appropriate at the time,  
20 600 basis points. I can tell you that that is fair in  
21 excess, given to where today's market is on August  
22 11th, I think that that number is probably well inside  
23 of 225 basis points probably. But, again, I would  
24 still like to have that flexibility.

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 Q. And, the Company would attempt to get the lowest credit  
2 spread, is that correct?

3 A. Absolutely.

4 Q. Okay. Thank you. What is PSNH's current outstanding  
5 short-term debt and how does that compare with the  
6 10 percent of net plant limit?

7 A. The current short-term debt is about \$45 million. The  
8 short-term debt test at 10 percent, which, based on  
9 June numbers, is I think approximately \$146 million.  
10 So, we have flexibility today. As I showed in my  
11 testimony, when we filed it back in February, I did  
12 anticipate that short-term debt would be higher than  
13 where it is today, arguably, maybe some \$75 million  
14 higher. It's not to that level. I would still seek to  
15 look for the increase in short-term debt authority, as  
16 I do believe that our forecasts say that we will still  
17 be at a level, as early as maybe mid September, late  
18 September, that we could be again pushing against that  
19 short-term debt test, and certainly would be there, you  
20 know, probably in the October timeframe.

21 Q. And, what are the causes of the Company going up  
22 against the limit?

23 A. Primarily, the reason that we aren't where we had  
24 expected to be back in February is primarily associated

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 with our capital expenditure plans. They are running  
2 short of where we anticipated being, by probably some  
3 50 to \$75 million. We do believe those numbers will  
4 catch up before the end of the year. So, I don't  
5 believe that it's a permanent issue, I believe it's a  
6 temporary issue. What I thought was maybe some  
7 pressure in the May timeframe is just extending out to  
8 might be September, maybe October, but I do believe  
9 it's going to happen, and I'll find myself perhaps  
10 outside of the boundaries without the additional  
11 60 million request.

12 Q. And, this is not a data request that is in the package  
13 before you, but, in response to an initial request  
14 regarding the amount of current borrowing under the  
15 revolving credit facility, March 31st, 2009, that  
16 amount was 45,227,000. Has that changed? Do you have  
17 an updated number for that?

18 A. I don't believe we've had any change to that.  
19 Fortunately, we have had excess funds in the NU money  
20 pool that PSNH has been able to take advantage of and  
21 fund itself. You didn't ask the question, but, as of  
22 today, they, in fact, have 5 to \$10 million invested in  
23 the money pool, as opposed to borrowing it. But that  
24 number can change. As a matter of fact, I think we did

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1       respond to a data request that showed that number could  
2       fluctuate from an investment of 10, \$20 million, to a  
3       borrowing of 50, 60, \$70 million, exactly the purpose  
4       of the NU money pool.

5                       MS. AMIDON: Uh-huh. Mr. Chairman, I'd  
6       like to ask Mr. Mullen to conduct some examination. Thank  
7       you.

8                       MR. MULLEN: Good morning, Mr. Shoop.

9                       WITNESS SHOOP: Good morning.

10   BY MR. MULLEN:

11   Q.   As stated in the Company's petition, one of the things  
12       that it was seeking approval for is the mortgaging of  
13       property. Does the Company currently have its property  
14       mortgaged?

15   A.   Yes.

16   Q.   So, is there any -- what difference would result from  
17       this financing if it were to be approved?

18   A.   No difference in terms of we would seek to issue a  
19       bond, a First Mortgage Bond, which would be a secured  
20       financing.

21   Q.   Okay.

22                       MR. MULLEN: Actually, before I get too  
23       far, too, I wanted to, just as a housekeeping matter, for  
24       the Exhibit Number 4, Attorney Shively was looking for

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 Page 2, in the set of responses that Staff marked as  
2 "Exhibit 6", I believe Page 2 is Page 15 of that package.

3 CHAIRMAN GETZ: Thank you.

4 BY MR. MULLEN:

5 Q. If you turn to Exhibit 1, Bates stamp Page 91, which is  
6 part of your testimony.

7 A. Yes.

8 Q. Between Lines 4 and 5, there's a table in your  
9 testimony that gives the Treasury yield, the credit  
10 spread, and the coupon rate for a 5-year, 10-year, and  
11 30-year institutional debt.

12 A. Yes.

13 Q. Could you -- Do you have available the current yields  
14 and spreads and what the coupons would be for those  
15 particular maturities?

16 A. I would be able to give you a rough idea, but, as you  
17 know, those numbers change constantly. The 10-year  
18 rate today, which is listed there as "2.63", is  
19 probably 3.75; the 30-year, listed as "3.42", is  
20 probably more in the "4.50" area; and the 5-year,  
21 "1.66", is probably in the 2.75 area. The credit  
22 spreads we show is 300 basis -- 3 percent, and a  
23 10-year is likely to be significantly under that, I  
24 would say probably in the 150 basis point area. The

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 30-year is marginally more. It's not significant. You  
2 know, maybe upwards of 175 basis points. And, equally,  
3 there's not a lot of change in the yield curve on  
4 spreads, the 5-year would be probably in the 125 area.  
5 So, the resulting coupon today, on a 10-year, versus  
6 the "5.63", would be more like a five and a quarter.

7 Q. And, these rates are all indicative of a utility rated  
8 BBB, is that correct?

9 A. They would be rated as a BBB+. As I mentioned, there  
10 was that ratings increase in Moody's, but that would  
11 all be priced in there.

12 Q. If you --

13 A. I should add, though, that both the yields and the  
14 spreads have been moving very much, you know, over the  
15 past, you know, six months, or mostly probably longer  
16 than that, since probably the last quarter of 2008.  
17 Treasury yields were much higher than this. They're  
18 lower today. You know, they could be widened out, you  
19 know, next week.

20 Q. Based on the reduced credit spreads, and I know you  
21 stated earlier that you most likely wouldn't revise the  
22 request for a 600 basis point spread, but, if the  
23 Commission were to stay with the existing 400 basis  
24 point spread, do you believe that would cause you any

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 problems?

2 A. You know, I don't believe that that would cause  
3 problems. My only pause is that I've seen those rates,  
4 and it hasn't been that long ago. I would not want to  
5 find myself in a situation where, you know, we had  
6 asked for 600, and on the stand, during testimony on  
7 August 11th, I'd say "yes, 400 is probably okay."  
8 Having said that, I think 400 is very wide of where I  
9 think it could be done today, as I mentioned, that 150  
10 area. But I never thought we would get to 600 in the  
11 first place. So, I have a little concern that I'm not  
12 able to accurately predict credit spreads.

13 Q. Okay. One other request in the petition was for the  
14 authority to enter into an interest rate transaction.  
15 Included in Exhibit 1, beginning on Page 63, is  
16 Northeast Utilities' System Interest Rate Risk  
17 Management Policies and Procedures. What types of  
18 things does the Company look at to determine whether or  
19 not it's going to enter into an interest rate  
20 transaction?

21 A. As I mentioned earlier, the whole idea of having the  
22 ability to have this tool is the ability to manage  
23 interest rates to reduce the volatility related to  
24 movements in interest rates. As we build our plan for

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 the coming year, if we have a proposed debt financing,  
2 we will factor in an interest rate for that plan. If I  
3 have the ability to lock that in and reduce the  
4 volatility around that, that might be something we  
5 would consider. It's very difficult, because you  
6 really have to consider economic forecasts, what's  
7 happening in the economy today, what might be  
8 forecasted for the next month, two, three months,  
9 whenever you plan to do that issuance. We'd also work  
10 very closely with investment banks to get their  
11 insights into whether they thought it was an  
12 appropriate time to enter into a transaction to manage  
13 that volatility. That could be presented as interest  
14 rates fluctuate.

15 Q. If you turn to Bates stamp Page 68 of Exhibit 1.

16 A. Yes.

17 Q. At the bottom of that page, there's Section 3.2.1,  
18 under "Hedge Effectiveness and Ineffectiveness".

19 A. Yes.

20 Q. And, it says that "The Treasury Department is  
21 responsible for measuring the effectiveness and  
22 ineffectiveness of derivatives and hedges." How  
23 exactly does the Treasury Department evaluate that?

24 A. Measuring hedge effectiveness is very complicated.

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 FASB 133 dictates how hedge effectiveness has to be  
2 measured. The importance of whether something is  
3 effective or ineffective and how effective or  
4 ineffective it is will bear itself out on whether the  
5 accounting change is recorded in the income statement  
6 or accounted for in the equity section under the title  
7 of "other comprehensive income". So, it's a very  
8 complicated set of methodology to determine  
9 effectiveness. Basically, what it's trying to do is,  
10 if you enter into a hedge transaction to hedge an  
11 underlying treasury rate or an underlying swap rate,  
12 you want to try to measure the changes in the value of  
13 the interest rate versus the changes in the value of  
14 what it is you tried to hedge in the first place. If  
15 they move in tandem, it's generally effective. Is it  
16 effective enough? That's where you go to the FASB to  
17 see the methodology that they have in place. Equally,  
18 if your hedge goes up and your transaction goes down,  
19 it's not effective. It would be ineffective. And,  
20 therefore, it might suggest different accounting  
21 treatment, either bearing itself out in the income  
22 statement or in the equity section under "other  
23 comprehensive income".

24 Q. A few pages further, on Page 73, there's Section 5.4,

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 related to auditing. Do you know if the internal Audit  
2 Department of NU has reviewed the policy or, if it  
3 plans to, if it has not?

4 A. To my knowledge, they probably have certainly reviewed  
5 the policy. They have not done any specific audit of  
6 any transactions that may have been done under the  
7 policy. I think we answered an interrogatory on that  
8 as well. And, I'm not aware of any future near-term  
9 plans in regards to a potential audit around interest  
10 rate management transactions.

11 Q. Related to specific transactions, if you turn in  
12 Exhibit 6 to Page 11.

13 A. Could you help me with Exhibit 6 please?

14 Q. That was the set of responses that Staff introduced.

15 A. Okay. Exhibit 6. What --

16 Q. Page 11.

17 A. I can't read that.

18 MS. SHIVELY: Staff 1-16.

19 BY MR. MULLEN:

20 Q. And, it is a little hard to read. Unfortunately,  
21 that's how the original was, too. As you look at it,  
22 if you can see that there's a category for company, a  
23 column for "company"?

24 A. Yes.

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 Q. And, over on the right-hand side, the next to the last  
2 column says "Settlement Received/Paid"?

3 A. Yes.

4 Q. Now, only the second and the last rows deal with PSNH,  
5 is that correct?

6 A. You know, I really need to look at another copy,  
7 because I cannot see this that well. I apologize.

8 CHAIRMAN GETZ: Ms. Shively, do you have  
9 a cleaner copy?

10 MS. SHIVELY: Do you have that in your  
11 book as "Staff Set 1, Question 16, or do you need mine?

12 WITNESS SHOOP: Yes, I am trying to find  
13 that right now. Can everybody else see that?

14 MS. SHIVELY: No.

15 MR. MULLEN: If I squint.

16 WITNESS SHOOP: Okay. I do have a  
17 better legible copy of it.

18 MR. MULLEN: Okay.

19 BY MR. MULLEN:

20 Q. If I look on the "Settlement Received/Paid" column, --

21 A. Yes.

22 Q. -- there are certain items there that have parentheses  
23 and certain items that do not.

24 A. Correct.

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 Q. Could you differentiate between the two?

2 A. As it's kind of titled on the column, if it's a  
3 bracket, that would mean that the Company paid on  
4 settlement. If it was not a bracket, that would be  
5 indicative of the Company receiving a payment on the  
6 settlement date.

7 Q. So, why would the Company receive a payment, versus  
8 when they would make a payment?

9 A. You would receive a payment because you locked in at a  
10 rate that was lower than the rate on the settlement  
11 date. Conversely, you would make a payment if you  
12 locked in a rate that was higher than the rate that you  
13 received on the settlement date. So, if I did a  
14 transaction and I was trying to lock in an interest  
15 rate of 5 percent, and come settlement date the rate is  
16 actually 6 percent, then I would owe under that  
17 scenario. If the rate on the settlement date was  
18 4 percent, I would receive -- I said that backwards. I  
19 would receive, if the rate was 4 percent, I would owe.

20 Q. So, are these looked at as like a form of insurance or  
21 some sort of -- basically, what are you paying for?

22 A. It's not insurance. Again, it's a transaction where  
23 you can try to attempt to take the volatility out of  
24 interest rates. In my example, if I were able to lock

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 in a 5 percent rate, and I was comfortable with that  
2 rate, it might have synched up exactly we my internal  
3 operating plans, you know, by viewing the economic  
4 conditions, discussions with advisers, including banks,  
5 thought it was a good idea to do that, we did a  
6 transaction, we locked in at a 5 percent rate. Come  
7 three months, six months, whatever it is when that  
8 transaction settles, the transaction, in this case the  
9 debt, is going to be priced at whatever the market is  
10 going to dictate at that time. In my example, say the  
11 market priced at 6 percent. Well, I locked in at  
12 5 percent. What you do is you figure out the value  
13 that the counterparty would have to pay me for that  
14 1 percent differential over a cash flow that might be  
15 10 years, for a 10 year maturity, or 20 years or 30  
16 years. So, it's a net present value computation.

17 Q. All right. Now, turning to the beginning of Exhibit 6,  
18 this set of discovery responses.

19 A. Yes.

20 Q. The first one is Staff Set 1, Question 2.

21 A. Yes.

22 Q. And, that goes through Page 4. If I look at Page 2,  
23 right in the middle of the page there's a  
24 "Capitalization" section.

[WITNESS: Shoop]

1 A. Yes.

2 Q. If I look at the "Long-Term Debt" line, and this goes  
3 out from 2009 to 2013, could you tell me what's  
4 happening on the "long-term debt" line, as I go from  
5 year to year?

6 A. Obviously, the number is growing. It's indicative of  
7 PSNH needing to go to the market and incur additional  
8 long-term debt.

9 Q. And, those are the type of financings that you were  
10 mentioning earlier, in terms of --

11 A. Yes, some 250, 350 per year.

12 Q. Okay. Now, if I move up to the "Common Equity" line,  
13 and remembering my accounting, if I look at Page 4, --

14 A. I'm there.

15 Q. -- the top line of Page 4 shows "Net Income".

16 A. Yes.

17 Q. And, am I correct to say that the net income will get  
18 rolled into the "Common Equity" line?

19 A. It's one of those components, yes.

20 Q. What else would be in there?

21 A. You know, any other changes in the equity account,  
22 whether it would be equity contributions or dividends  
23 would ultimately be reflected in there as well.

24 Q. And, I believe you stated that the Company does plan to

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 make equity infusions as time goes on?

2 A. Yes.

3 Q. And, what's the main purpose of doing that?

4 A. We generally manage the capital structure of PSNH to  
5 maintain a rating agency target of approximately  
6 55 percent debt/45 percent equity. So, we will use  
7 capital contributions to manage that capital structure.  
8 Putting in equity when we need to, and taking it out in  
9 the form of dividends also, on a quarterly basis,  
10 typically, to again manage around that structured  
11 target of 55 percent debt.

12 Q. And, what if that -- what if your capital structure  
13 were to vary significantly from that target?

14 A. Well, you know, that's something that we manage very  
15 closely. So, I would venture to say that's not  
16 something that we would take lightly. We would try  
17 everything we possibly could to maintain that  
18 structure. If you did find yourself falling away from  
19 that, ultimately it could have ratings agencies'  
20 impacts, it could ultimately impact the cost of  
21 financing both debt and equity.

22 Q. If you turn to Page 17 of this exhibit, --

23 A. Yes.

24 Q. -- and this is the beginning of a 13-page response to

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 OCA Set 1, Question 2.

2 A. Yes.

3 Q. Could you tell us what this response shows?

4 A. This was a response to the question which generally  
5 asked to describe the Company's planned capital program  
6 for 2009. On Page 18, it would summarize that on an  
7 estimated cash requirements for 2009 of approximately  
8 \$294 million.

9 Q. How often is this prepared?

10 A. I believe it's prepared annually, and adjusted, you  
11 know, as we move through the year. Though, I'm not  
12 specifically aware of that.

13 Q. I believe that it says on the cover page of that  
14 response that it's filed with the Commission as part of  
15 the Monitoring docket.

16 A. Again, I'm not personally familiar with that. But, if  
17 that's what is stated, I believe that to be true.

18 Q. Okay. When this budget is prepared, do you know if  
19 this is done on a "needs" basis or is it done on "if we  
20 get financing approval, here's what we'd like to do"?

21 MS. HOFFER: I just would like to note  
22 my objection to the witness's further testimony on this  
23 point, if he lacks personal familiarity with the data  
24 contained in the exhibit.

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 CHAIRMAN GETZ: Ms. Shively, do you have  
2 a response to the objection?

3 MS. SHIVELY: I think that he's  
4 certainly familiar with the construction budget, you know,  
5 generally, in terms of what it is and what's in it. If  
6 there are specific questions about line items, you know,  
7 he may or may not be able to answer them. And, if he  
8 can't, we do have witnesses that are competent to do that.

9 CHAIRMAN GETZ: Well, I'm going to  
10 permit him to respond, but making it clear of what he has  
11 personal knowledge of and what he's unfamiliar with on the  
12 record.

13 MS. SHIVELY: I mean, I believe what he  
14 said was he was "not familiar whether or not this budget  
15 was filed with the Commission." That doesn't equate to  
16 non-familiarity with the budget generally.

17 CHAIRMAN GETZ: Okay. You can proceed,  
18 Mr. Mullen.

19 **BY THE WITNESS:**

20 A. To answer your question, I was addressing the fact that  
21 I didn't know if this was or wasn't filed with an  
22 ongoing application. I am generally aware of the 2009  
23 Construction Budget, as it's laid out here, 240 --  
24 approximately \$294 million, broken out in the various

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 segments between distribution, generation, and  
2 transmission. I don't exactly know the parameters  
3 around how the budget is developed. It certainly isn't  
4 developed whether we can finance it or not. We develop  
5 the budget based on -- based more on "need", to your  
6 reference, and then we make sure that we will be able  
7 to finance this capital budget. But we don't get the  
8 cart before the horse, if you will.

9 BY MR. MULLEN:

10 Q. Okay. Before I continue with this one, if you were to  
11 turn to the last page of this exhibit, Page 54?

12 A. Yes.

13 Q. I believe earlier you had some testimony about how PSNH  
14 does not engage in project-specific financing, reading  
15 from another response?

16 A. Yes.

17 Q. If you could just review the response to Part (b) of  
18 this, and then summarize that in terms of how PSNH  
19 manages its working capital?

20 A. Yes. This specific question is in response to a  
21 question of whether we would consider project-specific  
22 financing. And, this indicated in this question, and  
23 certainly the other as well, we don't do  
24 project-specific financing. It's much more attractive,

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 from the Company's point of view, vis-a-vis rates, to  
2 do a general financing under our First Mortgage Bond.  
3 That would be the most beneficial rate we would be able  
4 to receive in terms of coupon rate for customers. If  
5 we were to do a project-specific financing, which could  
6 potentially involve a lot of restrictions, different  
7 covenants, different structural components to it, it  
8 would come at a cost. And, I assure you it would be  
9 higher than a general First Mortgage Bond. So, that's  
10 why we wouldn't do it.

11 We generally use the NU System money  
12 pool, as well as PSNH's access to its revolving credit  
13 facility to fund working capital, as well as capital  
14 expenditures. We'll draw off of those facilities as we  
15 need financings, pay them back as we have excess cash.  
16 Two, as we increase those balances to a significant  
17 amount, that are probably, in all likelihood, other  
18 than temporary, we would seek to refinance those in the  
19 long-term debt markets. So, we finance long-term  
20 assets with long-term debt. And, in this case, in this  
21 request we would be looking to do \$150 million. We  
22 would use the proceeds of that \$150 million issuance to  
23 pay back the revolving credit facility. As I said, it  
24 only has \$45 million on it today. And, we would also

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 use it to repay any money pool borrowings, if they were  
2 outstanding, and there aren't any today. So, what we  
3 would do is we would put the excess cash into the NU  
4 System money pool to make available to other  
5 participants. Always knowing that that money is  
6 available on demand for PSNH, to continue funding its  
7 working capital and capital expenditure plans.

8 Q. Okay. If you turn back to the response that starts on  
9 Page 17.

10 A. Yes.

11 Q. And, as I flip through the pages, it appears to list a  
12 lot of projects in various segments of the Company, is  
13 that correct?

14 A. Yes.

15 Q. Looking at this, and taking your testimony that we just  
16 discussed about the last page of this exhibit, in terms  
17 of how you manage your working capital, if I were to  
18 pick out any particular project on this list, would you  
19 be able to tell me whether or not it's funded  
20 100 percent by debt, partially by debt, or not at all  
21 by debt?

22 A. No, I wouldn't.

23 Q. Why is that?

24 A. Well, because, again, we don't track specific sources

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 of capital -- of financings to specific uses. So, if  
2 you looked at a specific project, and that project  
3 costs \$40,000, I wouldn't be able to specifically say  
4 if we funded that with cash, if we funded that with  
5 money pool borrowings, if we funded that with the  
6 revolving credit facility borrowings, if we funded that  
7 with a portion of equity, a portion of the June equity  
8 amount that NU contributed to the Company. It's  
9 impractical to be able to trace transactions from  
10 sources to uses.

11 Q. If this proposed financing was not approved, and I see  
12 a lot of projects on this list, if they still needed to  
13 get funded, how would you pay for them?

14 A. If this transaction were not approved, we would  
15 certainly have to consider where we would get the  
16 financing for our capital projects and plans. Given  
17 that we still have short-term debt authority, perhaps  
18 that short-term debt authority would be increased, and  
19 not have the authority to issue long-term debt. That  
20 doesn't give us a lot of leeway, because we don't have  
21 access to committed capital to support that short-term  
22 debt authority, and by that I mean the revolving credit  
23 facility. As I mentioned, PSNH only has access to  
24 \$100 million of that facility. So, even if I had a

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 significantly higher short-term debt limit, I only have  
2 committed access through that syndication of banks at  
3 \$100 million.

4 So, ultimately, we'd have to get the  
5 financing from somewhere. Northeast Utilities, the  
6 parent, is an obvious choice that we would have to  
7 think about. Is there an ability to lead planned  
8 capital contributions? We do plan one in September and  
9 we do plan for one in December. May we be able to  
10 accelerate that early? Those are some of the things we  
11 would certainly consider.

12 However, I should caution that, as I  
13 mentioned earlier, I do expect the construction budget  
14 to be on plan for the year. I do expect to have some  
15 restrictions in the current short-term debt authority.  
16 And, as I mentioned, even if we were to simply increase  
17 the short-term debt authority, I don't have committed  
18 access to funds to draw upon.

19 Q. If you turn to Page 30 of this exhibit.

20 A. Yes.

21 Q. This response deals with short-term debt balances.

22 A. Yes.

23 Q. And, if you turn to the pages beginning on Page 31.

24 A. Yes.

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 Q. As I look at this, your short-term debt borrowings can  
2 vary significantly from day-to-day?

3 A. They can.

4 Q. And, why is that?

5 A. It's just the nature of the business cycle. You know,  
6 how much receipts are coming in, how much requirements  
7 are going out on any given day.

8 Q. I believe part of your testimony dealt with impacts of  
9 the ice storm in December of 2008. Would any costs  
10 related to that be reflected in this response?

11 A. As we had incurred costs related to that ice storm, it  
12 would be another requirement on that day that would  
13 have to get funded. And, it, like any other funding,  
14 would only have to go to the money pool and the  
15 revolver, as well as cash balances to be funded. So,  
16 yes, those dollars that would have been paid to  
17 contractors to restore service would be included in any  
18 given day's money pool borrowings.

19 Q. Finally, one of the issues in this case is the impact  
20 of the financing on rates, would you agree with that?

21 A. It has certainly been stated that that is a potential  
22 scope of questions, yes.

23 Q. Do you see any difference between the impact of the  
24 financing on rates and the impact of projects on rates?

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 A. I don't believe I understand your question. Do I see  
2 any difference?

3 Q. Well, I believe you said that --

4 A. In terms of magnitude?

5 Q. Well, let me see if I can rephrase it. I believe you  
6 said that, related to this financing, you can't  
7 identify which particular projects would be funded  
8 totally or partially with this debt, is that correct?

9 A. Yes.

10 Q. So, if, in that view, you calculated an impact of the  
11 financing on rates, now if somebody were to look at  
12 individual projects, do you think that a impact of the  
13 projects on rates might be different?

14 A. I guess it depends on the magnitude of the project.  
15 Certainly, a large project, hundreds of millions of  
16 dollars, has the potential to impact rates more  
17 significantly than what we discussed as this  
18 differential in interest cost of this proposed  
19 financing.

20 Q. And, as shown by the capital budget, PSNH is planning  
21 and constructing projects in its generation,  
22 distribution, and, transmission segments, is that  
23 correct?

24 A. Yes.

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 MR. MULLEN: Thank you. I have nothing  
2 further.

3 BY MS. AMIDON:

4 Q. Mr. Shoop, if the Commission should approve the  
5 Company's petition, when would you plan to go out to  
6 secure the long-term debt?

7 A. I would like to be able to gain access to the markets  
8 as soon as possible. As we prepared our budget for  
9 2009, you know, I was hopeful that we would be able to  
10 access the markets probably around mid year of 2009, as  
11 I stated in my initial testimony. Now, obviously, June  
12 has come and gone. The markets are really attractive  
13 right now. Credit spreads, as we discussed, have  
14 surprisingly come down to some significantly reduced  
15 levels from where I thought just a short eight months  
16 ago. I would like to be able to access the markets as  
17 soon as I possibly could.

18 Equally, I have concerns about the  
19 short-term debt restrictions, that I could find myself  
20 putting -- hitting up against those levels. The faster  
21 I can go out and issue a transaction, you know, we  
22 certainly could alleviate that pressure. As we have  
23 talked about, you could simply alleviate the pressure  
24 by increasing the short-term debt test, but that

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 doesn't in and of itself help me a lot, if I don't have  
2 committed access to draw upon, in terms of the  
3 revolving credit facility. We do have money pool  
4 balances. But, as we also discussed, it's not a good  
5 reliable source of financing.

6 So, short answer to your question, I'd  
7 like to access the capital markets as soon as I  
8 possibly could.

9 Q. So, if the Commission issued an order say in September,  
10 you would be going out -- I'm just trying to understand  
11 how quickly --

12 A. Yes. In all likelihood, if I had an order in hand  
13 today, I would be issuing tomorrow morning.

14 MS. AMIDON: All right. Thank you. I  
15 don't have anything further.

16 CHAIRMAN GETZ: Thank you.

17 BY CMSR. BELOW:

18 Q. Did you say that the proposed \$150 million in long-term  
19 debt would or would not be secured with First  
20 Mortgages?

21 A. We do plan to secure it with First Mortgages.

22 Q. Okay. How would that collateral affect existing First  
23 Mortgages? How does that relate?

24 A. It doesn't affect it. We have -- we have outstanding

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 debt, which is secured. We can continue to secure  
2 additional debt to a certain level.

3 Q. Is that because you have asset value that's in excess  
4 of what's already collateralized?

5 A. That's correct.

6 Q. So, this would be additional first mortgage on some  
7 existing --

8 A. Assets.

9 Q. -- assets?

10 A. Correct.

11 Q. As well as some of these new capital additions that  
12 are, in effect, not all already encumbered?

13 A. That's correct.

14 CMSR. BELOW: Okay. Thank you.

15 CHAIRMAN GETZ: Good morning, Mr. Shoop.

16 WITNESS SHOOP: Good morning.

17 BY CHAIRMAN GETZ:

18 Q. I just want to turn back to some of the questions that  
19 Ms. Hoffer had for you about the impact of the  
20 financing on rates. And, I think she was -- there was  
21 a discussion with respect to OCA Set 1, Question 10.

22 A. Yes.

23 Q. Which is towards the back of what's been marked for  
24 identification as "Exhibit 3". And, with respect to

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 Energy Service rates, I guess the response indicates  
2 that the cost of the financing would have approximately  
3 a two one-thousandths of a cent per kWh effect on  
4 rates. But then I want to make sure I understood  
5 correctly what you said with respect to distribution  
6 rates.

7 A. Yes.

8 Q. I think you said the distribution rate base is --

9 A. Approximately twice as large.

10 Q. Twice as large as the Energy Service rate base, and,  
11 therefore, the effect would be four one-thousandths of  
12 a cent, is that what you said?

13 A. Roughly, yes.

14 Q. And, then, with respect to transmission rates, --

15 A. Yes, I don't have that data.

16 Q. You don't have the data in mind or --

17 A. Yes, just I'm not -- I don't have that, I don't have  
18 that transmission rate base in mind.

19 Q. How would you go about calculating it? Based on what's  
20 --

21 A. I think it would be a very similar calculation. What  
22 is the rate base and what is the incremental weighted  
23 average cost that you'd be looking to spread over that  
24 rate base?

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 Q. And, is that rate -- would those numbers be in this  
2 record or would you have to turn to a FERC Form 1 or --

3 A. No, I'm not aware of the transmission rate base in  
4 these numbers.

5 CHAIRMAN GETZ: All right. Ms. Shively,

6 --

7 CMSR. BELOW: Could I follow up on that?

8 BY CMSR. BELOW:

9 Q. Is most of what you're calculating as cost of the  
10 financing sort of the transaction cost and how that  
11 incrementally adds to rates?

12 A. It's the whole weighted average cost, considering the  
13 coupon, as well as issuance costs.

14 Q. Compared to -- what is the alternative? Compared to  
15 the short-term debt?

16 A. It would be compared to what's in our projections  
17 already, in terms of the weighted -- projected weighted  
18 average cost of debt.

19 Q. Okay.

20 A. So, we're already projecting a weighted average cost of  
21 debt. We already assume something. If we factor in  
22 this transaction at whatever an assumed rate would be,  
23 if it's different than that in this case, it would be  
24 higher than. We'd spread that over the rate base, and

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 that would result in the two one-thousandths of a  
2 percent increase.

3 Q. But, if you financed essentially the same set of  
4 assets, say, with equity instead of debt, would that be  
5 a higher -- likely be a higher impact on rates?

6 A. Yes, it would be. Under the principle that the cost of  
7 equity is higher than the cost of debt.

8 Q. And, that calculation, *per se*, doesn't take into  
9 account the addition to rate base, *per se*, it's just  
10 looking at the cost of the financing, is that correct?

11 A. Yes. All things being equal, if you looked at cost of  
12 equity versus cost of debt. If you did this  
13 transaction and assumed \$150 million in equity, it  
14 would -- it would generate a higher per kWh cost,  
15 because the cost of equity is higher than the cost of  
16 debt.

17 Q. Right. But altogether you'd get a different result if  
18 you simply assumed the capital expenditures didn't  
19 occur? I mean, that's a much more complicated  
20 analysis.

21 A. Yes, I guess you could say, "well, if it didn't occur  
22 in the first place, you don't have revenue requirements  
23 to cover."

24 Q. Right. Right, but there would be other implications

[WITNESS: Shoop]

1           potentially, in terms of deferred maintenance or other  
2           costs --

3   A.   By not doing that, yes.

4                           CMSR. BELOW:   Okay.   That's all.

5                           CHAIRMAN GETZ:   Ms. Shively, redirect?

6                           MS. SHIVELY:   Yes.   Excuse me just a  
7           minute.

8                           CHAIRMAN GETZ:   Would you like a five  
9           minute recess?

10                          MS. SHIVELY:   That would be great.

11                          CHAIRMAN GETZ:   Okay.   Let's take a  
12           brief recess.

13                                   (Whereupon a recess was taken at 11:32  
14           a.m. and the hearing reconvened at  
15           11:39 a.m.)

16                          CHAIRMAN GETZ:   Ms. Shively.

17                          MS. SHIVELY:   Yes, I just have a couple  
18           of questions on redirect.

19                                   **REDIRECT EXAMINATION**

20   BY MS. SHIVELY:

21   Q.   Mr. Shoop, a number of questions were asked about the  
22           impact of this financing on PSNH's transmission rate.  
23           And, is it your understanding that transmission rates  
24           are regulated by FERC?

{DE 09-033} {08-11-09}

[WITNESS: Shoop]

1 A. Yes.

2 Q. And, that the calculation of transmission rates in New  
3 England is not a simple calculation as it is for PSNH's  
4 Energy Service and distribution rates?

5 A. Yes, it is a more comprehensive calculation.

6 Q. And, I would also ask, is it your understanding that  
7 capital additions that are constructed by PSNH fall  
8 under the mortgage's after acquired property?

9 A. Yes.

10 CHAIRMAN GETZ: Okay. Then, nothing  
11 further for this witness, then you're excused. Thank you.

12 Ms. Shively, does that complete the Company's direct?

13 MS. SHIVELY: Yes, it does.

14 CHAIRMAN GETZ: I take it, any other  
15 witnesses?

16 (No verbal response)

17 CHAIRMAN GETZ: Okay. Then, any  
18 objection to striking the identifications and entering the  
19 exhibits into evidence?

20 (No verbal response)

21 CHAIRMAN GETZ: Hearing no objection,  
22 they will be admitted into evidence. Anything before an  
23 opportunity for closings?

24 MS. HATFIELD: Just one question, Mr.

1 Chairman. Should OCA supplement Exhibit 4 or perhaps we  
2 can withdraw it and just use that -- that same response I  
3 believe appears on Page 14 and 15 in Staff Exhibit 6. So,  
4 it might be simpler to just not have it in two places.

5 CHAIRMAN GETZ: Yes. Let's just, I  
6 guess, withdraw or strike it, Exhibit Number 4, as it's  
7 contained in its entirety in Exhibit Number 6, and note  
8 that for the record.

9 (Exhibit 4 stricken from the record.)

10 MS. HATFIELD: Okay. Thank you.

11 CHAIRMAN GETZ: Anything else?

12 (No verbal response)

13 CHAIRMAN GETZ: Then, let's begin with  
14 Ms. Hoffer.

15 MS. HOFFER: Thank you. The  
16 Commission's June 19th order issued in this case  
17 unequivocally rejected PSNH's argument that an *Easton*  
18 review is not applicable in this case. The order further  
19 provided that "in this financing docket, we will consider  
20 the economic impact of the proposed financing, its effect  
21 on PSNH's capital structure, and its potential impact on  
22 rates". The Commission, therefore, must now review the  
23 economic impact of the proposed financing, its effect on  
24 PSNH's capital structure, and its potential impact on

1 rates.

2 Even under the more limited application  
3 of *Easton* the Commission has determined is appropriate in  
4 this case, consideration of the rate impacts must take  
5 into account the capitalization that will result from the  
6 use of the proceeds in the proposed financing. And, here  
7 I am citing to *Appeal of Conservation Law Foundation*, 127  
8 New Hampshire 606, decided in 1986. "It follows that in  
9 an *Easton* hearing, the commission's responsibility to  
10 address the rate implications of a decision approving a  
11 utility's financing request is not solely a responsibility  
12 to determine what the rates will actually be if the  
13 financing is allowed. Rather, the commission's  
14 responsibility is to determine whether, at a later  
15 ratemaking proceeding, a reasonable rate can be set that  
16 will allow the Company to support the capitalization that  
17 will result from the use of the proceeds of the proposed  
18 financing. So, since a reasonable rate is, by definition,  
19 a rate derived from a process that balances investor and  
20 customer interests, the commission may find that a  
21 reasonable rate can be set in the future if it finds that  
22 there will be a genuine opportunity to recognize the  
23 interests of customers as well as the interests of  
24 investors without bankrupting the utility. Hence, in this

1 proceeding, the commission was obliged to determine  
2 whether the probable range of rates would provide genuine  
3 scope to resolve the competition between the interests and  
4 to determine whether a rate set within the range would  
5 allow the Company to support the anticipated  
6 capitalization."

7 In this case, the probable rate of range  
8 took into account several major assumptions, including  
9 full dollar -- whether or not there would be a full dollar  
10 inclusion in the rate base of the project costs to which  
11 the financing would be applied. It also included, among  
12 other factors, loss of load that was potentially to occur.

13 CHAIRMAN GETZ: I'm sorry, when you said  
14 "in this case", you're talking about the --

15 MS. HOFFER: In the *Appeal of the CLF*  
16 case. Thank you. There is no evidence in the record  
17 today to support a conclusion that PSNH has met its burden  
18 pursuant to the Commission's June 19th order to the case  
19 -- and also with respect to the application of the case of  
20 *Easton* and under the *Appeal of CLF*. There is insufficient  
21 evidence to permit the Commission to conduct an *Easton*  
22 review as set forth in the June 19th order. Testimony  
23 elicited by Staff today runs generally to the terms of the  
24 financing, and we know that, based on the Commission's

1 order, that's insufficient.

2 So, in closing, CLF would emphasize the  
3 fact that we do not have a record here sufficient to  
4 support any finding with respect to *Easton* as set out  
5 pursuant to the Commission's June 19 order.

6 CHAIRMAN GETZ: Thank you. Ms.  
7 Hatfield.

8 MS. HATFIELD: Thank you, Mr. Chairman.  
9 As Ms. Hoffer just noted, on June 19th, 2009, the  
10 Commission issued Order Number 24,979, which addressed the  
11 scope of the Commission's review in this docket. And, in  
12 citing to the *Easton* case, the Commission stated that "it  
13 is not within the scope of the Commission's authority to  
14 consider whether the use of the financing proceeds for the  
15 scrubber is for the public good or whether there are  
16 reasonable alternatives to the scrubber."

17 In *Appeal of Easton*, the Supreme Court  
18 reaffirmed that the PUC has a duty to determine whether,  
19 under all the circumstances, the financing is in the  
20 public good, a determination which includes considerations  
21 beyond the terms of the proposed borrowing.

22 In addition, in *Appeal of CLF*, which the  
23 Supreme Court cites in the *Easton* case, the Court stated  
24 that it emphasized the test that must be applied, and that

1 is "whether the object of the financing was reasonably  
2 required for use in discharging a utility company's  
3 obligation, which is to provide safe and reliable  
4 service." The Court went on to state "moreover, we  
5 specifically decided that the Commission was obliged to  
6 determine whether the Company's plans to accomplish that  
7 object were economically justified when measured against  
8 any adequate alternatives."

9           It seems clear to the OCA that the  
10 Commission's scoping order therefore requires a full  
11 *Easton* review for all projects to be financed in this  
12 case, other than the scrubber. As the Commission knows,  
13 several statutes are also applying in this case, which  
14 require specific findings by the Commission related to  
15 PSNH's request, including RSA 369:4, which requires the  
16 PUC to determine whether long-term debt is consistent with  
17 the public good, and RSA 369:1, which also requires a  
18 public good finding, and which states "such approval shall  
19 extend to the amount of the issue authorized and the  
20 purpose or purposes to which the securities or the  
21 proceeds thereof are to be applied and shall be subject to  
22 such reasonable terms and conditions as the Commission may  
23 find necessary in the public interest."

24           Therefore, in this case, the Commission

1 must determine that the terms of the financing are  
2 consistent with the public good, that the use of the  
3 proceeds of the financing is consistent with the public  
4 good, and also determine that the effect on rates of the  
5 financing and the projects financed is consistent with the  
6 public good. And, despite Mr. Shoop's testimony that the  
7 impact of the financing on rates has been brought up in  
8 this case as a potential scope issue, in fact, it's an  
9 issue that's clearly set forth in the statute and in the  
10 case law.

11 PSNH has not provided sufficient  
12 information for the Commission to make these findings with  
13 respect to the uses of the financing and the impact on the  
14 rates. As the Company stated in discovery, response to  
15 Staff 1-17, which is found in Exhibit Number 5, the  
16 Company uses "a more general approach to long-term debt  
17 financing because the use of the proceeds are not uniquely  
18 identifiable to a specific project or end-use, which would  
19 be more restrictive." We certainly understand that PSNH  
20 would like to have a less restrictive review of its  
21 financing proposals. Unfortunately, that approach simply  
22 doesn't meet the statutory requirement, case law,  
23 including *Easton*, or the Commission's recent order on  
24 scope.

1           In addition, the fact that the Company  
2 characterizes this as a "routine financing" simply is not  
3 relevant. Even routine cases still must meet the  
4 statutory and case law requirements.

5           There is no analysis or detailed  
6 information in the record about the uses of the proceeds  
7 of the financing. The Commission does have the 10 page or  
8 so list of projects that the Company has provided, which I  
9 believe they describe as their "Capital Expenditure  
10 Program". However, the OCA is not aware of any analysis  
11 that has been done on any of these projects. And, we  
12 would respectfully request that, if any analysis has been  
13 or will be performed, that we receive a copy of it, if it  
14 forms the basis of the Commission's decision.

15           The Company also seems to argue that it  
16 is simply refinancing short-term debt with long-term debt,  
17 which allows it to avoid the review required for use as  
18 long-term debt. The Company should not be allowed to do  
19 this. If it is allowed to do so, ratepayers never have  
20 the chance to have the Commission conduct a very important  
21 review that's required for long-term debt.

22           The Company has also testified that it  
23 simply can't do project-specific financings. And, I  
24 think, if we take that to its logical conclusion, that

1 means we will never get an *Easton* review. Ratepayers rely  
2 on the review and analysis required by the statutes and  
3 case law, including *Easton*, in order to ensure that  
4 projects undertaken by a utility that are funded by  
5 ratepayers are necessary, reasonable, and in the public  
6 interest. If such a review has been performed, it is not  
7 in the record.

8                   Therefore, the Commission should reject  
9 PSNH's request for a long-term financing, because the  
10 Company has not met its burden and has not provided  
11 sufficient information to the Commission or the parties in  
12 order to undertake this analysis.

13                   I also wanted to add that we are  
14 sympathetic to CLF's objection made at the beginning of  
15 the proceeding that, because they're -- they have not  
16 exhausted their remedies with respect to the discovery  
17 dispute, and it does put this case in a difficult  
18 procedural position. Thank you.

19                   CHAIRMAN GETZ: Well, let me follow up  
20 on a couple of things. That last question, and I guess  
21 Ms. Hoffer, that last point, maybe Ms. Hoffer can reply as  
22 well. Is it, Ms. Hatfield, the position that, as a matter  
23 of course then, in any case where a Motion to Compel is  
24 made, that one party is going to lose, if there's a Motion

1 to Compel. That we then would be required to halt the  
2 proceedings while a Motion for Rehearing, and I guess,  
3 presumably, an appeal to the Supreme Court were going to  
4 occur?

5 MS. HATFIELD: It certainly is a  
6 question that doesn't come up often, because usually the  
7 discovery in a proceeding is contemplated, you know, far  
8 before the hearing date. And, I think some of us thought  
9 that, because that discovery dispute was playing itself  
10 out that the hearing would not be held today. But I do  
11 think that a party, who still has a right to seek further  
12 review, whether it be rehearing or an appeal, could suffer  
13 irreparable harm, if they are, in the end, entitled to  
14 have the information that's at issue in the discovery.  
15 And, I don't know what recourse a party would have. I  
16 guess they could appeal your final order in the case, and  
17 that could be a part of their appeal on procedural  
18 grounds.

19 CHAIRMAN GETZ: I guess, and,  
20 ultimately, if we were wrong, then it would be remanded?

21 MS. HATFIELD: That's possible.

22 CHAIRMAN GETZ: Do you have anything  
23 further on that issue, Ms. Hoffer? You brought it up in  
24 the first instance. Do you have --

1 MS. HOFFER: I have --

2 [Court reporter interruption]

3 CHAIRMAN GETZ: You've got to let me  
4 finish the question.

5 MS. HOFFER: Okay.

6 CHAIRMAN GETZ: Is your argument based  
7 on anything in the rules or the statute or any case law?

8 MS. HOFFER: Well, the statute does  
9 provide us with 30 days for a Motion for Rehearing, any  
10 party who has been aggrieved by a decision, I have the  
11 specific citation here, it's RSA 541:3, "Within 30 days  
12 after any order or decision has been made by the  
13 commission, any party to the action or proceeding before  
14 the commission, or any person directly affected thereby,  
15 may apply for a rehearing in respect to any matter  
16 determined in the action or proceeding, or covered or  
17 included in the order" --

18 CHAIRMAN GETZ: Yes, I'm familiar with  
19 that statute. But, I mean, in terms of a procedural  
20 motion or a Motion to Compel, whether that applies? Are  
21 you aware of any precedent for --

22 MS. HOFFER: I haven't looked at that  
23 legal question. I do think it is interlocutory in nature,  
24 because the outcome of the decision on our Motion to

1 Compel we would take the position could be relevant to  
2 your ultimate determination.

3 CHAIRMAN GETZ: All right. And, Ms.  
4 Hatfield, going back to the second issue you raised about  
5 the other possible capital additions, and I think you  
6 referred to the 10 page list of possible projects that  
7 some of the financing proceeds could be used for. Is it  
8 your argument under *Easton* that we need to basically do a  
9 pre-approval review of every one of those projects to make  
10 sure that they are permissible uses of funds as part of a  
11 case like this?

12 MS. HATFIELD: Mr. Chairman, the order,  
13 the Commission's scoping order does say that "the use of  
14 the proceeds must be in the public good" and that there  
15 "must be a review of whether there are reasonable  
16 alternatives". I can't say for sure what the Commission's  
17 review should be. I think, you know, the Commission Staff  
18 does it in a variety of different industry areas in  
19 different ways. But, up to this point, I don't believe  
20 that this list has been subjected to any type of review,  
21 as to whether there are different alternatives and whether  
22 the particular uses of any of the financing proceeds are  
23 in the public good.

24 CHAIRMAN GETZ: Okay. Thank you. Ms.

1 Amidon.

2 MS. AMIDON: Thank you. As you know,  
3 the Company filed this petition back in February, and the  
4 Staff commenced discovery following that, the filing of  
5 the petition, in March. We have reviewed the filing. We  
6 believe that it comports with the requirements of RSA  
7 369:1 and RSA 369:6, which is the long-term debt. We  
8 believe the terms and conditions of the financing are  
9 appropriate. And, we would recommend approving the  
10 petition, with one modification, and that is with respect  
11 to the credit spread. Based on the testimony of Mr. Shoop  
12 today, it seems that authorizing a credit spread up to 600  
13 basis points is not warranted by current market  
14 conditions, and we would recommend that the Commission  
15 maintain its current order with respect to the financing  
16 to limit that to 400 basis points.

17 CHAIRMAN GETZ: Thank you. Ms. Shively.

18 MS. SHIVELY: The Commission's  
19 obligation in this proceeding is to determine, under all  
20 the circumstances, whether the proposed financing is in  
21 the public good. And, I think it's important, with that  
22 obligation, to focus on the circumstances of this case.  
23 The Company is seeking approval to increase its short-term  
24 debt for a routine \$150 million First Mortgage Bond

1 financing, to retire the short-term debt, and for working  
2 capital needs, as well as authority to enter into an  
3 interest rate transaction.

4 The proposed financing is related to a  
5 wide variety of generation, transmission, and distribution  
6 expenditures. And, the Company has identified  
7 expenditures that are proposed in detail in its 2009  
8 Construction Budget. I think it's very clear that the  
9 Company has met its burden of production in producing  
10 detailed information about the projects that are being  
11 proposed. I don't think that the Company has a legal  
12 burden to provide a three-page analysis for every single  
13 project in its Construction Budget. I think that, if the  
14 parties -- other parties to this case had an objection to  
15 a particular project, they have an obligation to either  
16 raise that issue in data responses or by presenting  
17 witnesses to object to the proposed expenditures. It  
18 would be an extreme burden for everyone if the standard  
19 was that, you know, nauseous detail of every single  
20 project the Company is doing in the state were required as  
21 part of a financing proceeding.

22 I think that it's clear also that the  
23 real objection in this case is to the scrubber, and the  
24 Commission has determined that, you know, whether PSNH

1 should construct the scrubber or what the alternatives are  
2 to that is not a matter in this case.

3 I think the Company has very clearly  
4 demonstrated the economic impact of the financing on the  
5 capital structure and on rates, and that that impact is  
6 very small. Two one-hundredths [one-thousandths?] of a  
7 cent per kilowatt-hour, \$163,000, is not a particularly  
8 substantial impact, in a company whose revenues are in the  
9 hundreds of millions or billion.

10 No parties to this proceeding have filed  
11 sworn testimony or presented witnesses supporting their  
12 claim that this financing is not in the public good. And,  
13 as indicated in Mr. Shoop's testimony, the Company's  
14 position is that it is in the public good and the Company  
15 is entitled to issue the securities. We had originally  
16 hoped to access the financial markets in the second  
17 quarter of 2009. And, at this point, we do need a prompt  
18 Commission decision in order to be able to complete this  
19 financing in the fourth quarter. Now, if there are any --  
20 I'll just stop there.

21 CHAIRMAN GETZ: Okay. Then, hearing  
22 nothing else, we will close this hearing and take the  
23 matter under advisement. Thank you, everyone.

24 (Whereupon the hearing ended at 12:00 p.m.)