

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

DOCKET NO. DE 10-122

**AMENDED
DIRECT TESTIMONY
OF
SUSAN B. WEBER**

APPLICATION OF PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE FOR THE APPROVAL OF: (1) THE ISSUANCE OF UP TO \$500 MILLION AGGREGATE PRINCIPAL AMOUNT OF LONG-TERM DEBT SECURITIES THROUGH DECEMBER 31, 2012; (2) THE MORTGAGING OF PROPERTY; (3) THE EXECUTION OF INTEREST RATE TRANSACTIONS; (4) LONG-TERM BORROWING PURSUANT TO AN UNSECURED REVOLVING CREDIT AGREEMENT; AND (5) EXTENSION OF THE COMPANY'S SHORT TERM DEBT LIMIT OF 10% OF NET FIXED PLANT PLUS A FIXED AMOUNT OF \$60 MILLION.

July 23, 2010

I. AMENDED FINANCING REQUEST

1 **Q. What is the purpose of your amended testimony?**

2 A. In the Commission's Order No. 25,131 dated July 20, 2010 in Docket DE 10-122, PSNH
3 was ordered to amend its filing by no later than July 23, 2010, to address "...concerns
4 raised at the prehearing conference about the need for over \$150 million in excess
5 financing authority compared to the proposed issuances..." and to "...explain the
6 Company's reasons for the additional 12 months to issue the debt securities." The
7 purpose of this amended testimony is to satisfy that directive.

8

9 **Q. Is PSNH amending its request for up to \$600 million in long-term debt authority?**

10 A. Yes. PSNH is reducing its request for long-term debt authority by \$100 million; from
11 \$600 million to \$500 million. As a result of the Commission's recent approval of the
12 settlement in PSNH's distribution rate case (Docket No. DE 09-035), the long-term debt
13 component of PSNH's capital structure was changed from 51.17 percent to 45.73
14 percent. PSNH's application in this docket was filed on May 3, 2010, prior to approval
15 of that settlement agreement by the Commission, and accordingly had assumed the
16 then-applicable target debt component of 51.17 percent. This change in the long-term
17 debt component is currently estimated to decrease the amount of long-term debt
18 financing PSNH requires during the Financing Period by approximately \$40-\$50 million.

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20 In addition, in recognition of concerns related to the "excess financing authority"
21 requested, PSNH is also reducing its request for long-term debt authority by an
22 additional \$50 million, and will therefore potentially incur higher short-term debt
23 balances at the end of the Financing Period than currently assumed.

24

1 **Q. Based on the currently forecast total issuances of \$435 million of long-term debt**
2 **in 2011 and 2012, why does PSNH seek \$500 million in total long-term debt**
3 **authority?**

4 A. PSNH is requesting the authority to issue up to \$500 million in long-term debt during an
5 approximately two year financing period ending December 31, 2012 for several
6 reasons. This debt will likely be issued in two separate issuances, one in 2011 and one
7 in 2012, with the timing primarily dependent on short-term debt balances, then-current
8 cash flow forecasts and market conditions.

9

10 Authority to issue up to \$500 million in long-term debt over the Financing Period
11 provides PSNH with the opportunity to issue index-eligible debt (i.e., transactions of
12 \$250 million or greater), which typically result in lower interest rates. Of course, an
13 index-eligible transaction would be entered into only if it were attractive from either a
14 cash needs or market pricing standpoint. To complete two index-eligible transactions
15 during the Financing Period, \$500 million of authority would be required even though
16 the current forecast is for two issuances totaling \$435 million.

17

18 In addition, the requested borrowing authority would enable PSNH to respond to
19 unforeseen capital or working capital needs, such as emergency storm restoration,
20 which cost PSNH approximately \$75 million in 2008. While the costs related to such
21 storms are not financed with 100% debt, an unexpected storm resulting in \$75 million of
22 restoration costs could increase PSNH's debt requirements by about \$35 million.

23

24 I cannot emphasize enough that having the authority to issue \$500 million in long-term
25 debt does not necessarily mean that PSNH will actually use such authority. For
26 example, if the current forecast holds true and the market is such that there is no

1 significant advantage to issuing index-eligible transactions, PSNH would issue \$210
2 million of long term debt in 2011 and \$235 million of long term debt in 2012, consistent
3 with the forecast. If there was a significant financial advantage to issuing index-eligible
4 debt in 2011, PSNH might issue \$250 million of long-term debt in 2011 and, depending
5 on market conditions and short term debt balances, \$200 million of long-term debt in
6 2012.

7

8 PSNH is not going to issue \$500 million of long-term debt just because it has the
9 authority to do so. Any issuance must make sense from an overall financial perspective
10 or it will not happen.

11

12 As discussed below, if PSNH does not have authority to issue long-term debt either in
13 amounts, or over time periods, so as to be able to respond promptly and appropriately
14 to actual vs. forecasted internal and external conditions, the Company is shut out of the
15 market until such authority is obtained.

16

17 **Q. Why is the Company seeking long-term debt financing authority through 2012?**

18 A. PSNH is seeking \$500 million of long-term debt financing authority through 2012 to
19 provide needed flexibility in today's volatile markets. After PSNH obtains and then
20 exercises long-term financing authority granted by the Commission, PSNH is shut out of
21 the long-term debt markets until Commission approval for another transaction is
22 obtained. If the time period between PSNH's initial filing with the Commission and the
23 end of the rehearing period is ten months, for example, as in Docket No. DE 09-033,
24 PSNH would be shut out of the long-term debt market for ten months. In today's
25 financial markets, major changes can occur in a month, let alone in ten months. During
26 the period PSNH is shut out of the market it cannot take advantage of favorable market

1 windows or conditions. The Company cannot issue debt or hedge future debt
2 issuances if market conditions change. The Company cannot issue long-term debt if
3 major storm damage necessitates a large outlay of cash. If any conditions change so
4 as to make the current issuance of long-term debt in any amount (i.e. \$25 million, \$50
5 million, \$100 million) a reasonable response, the option is not available until
6 Commission approval has been obtained and the rehearing period has run.

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8 Fortunately, a situation of this sort with significant adverse financial impacts has not
9 occurred, but that doesn't prevent the Company's management from being concerned it
10 could happen in the future, and taking steps to minimize this potential. For example,
11 management has obtained flexible financing authority for The Connecticut Light and
12 Power Company and is currently seeking to renew such authority and obtain flexible
13 financing authority for Western Massachusetts Electric Company.

14

15 In addition, PSNH's multi-year authorization request is an attempt to reduce the
16 administrative burden on both the Commission and Staff from having to consider annual
17 requests for 2011 and 2012 financings which would be essentially identical in nature,
18 with the second request filed most likely immediately after the first one was granted.

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20 **II. NEW UNSECURED REVOLVING CREDIT FACILITY**

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22 **Q. Please discuss the status of the new unsecured revolving credit facility.**

23 A. In the Commission's Order No. 25,131 PSNH was provided with an extension until July
24 23, 2010 to file the final terms of its new unsecured revolving credit agreement. At the
25 time of its initial filing in May, the Company had anticipated that this facility would be
26 renewed by early July. The renewal of this facility is now scheduled to kick-off in late

1 August with a closing date on or about October 1, 2010. Although the final terms and
2 conditions of the new facility are not in place yet, in response to data request OCA-01,
3 Q-OCA-007, PSNH provided a summary of the terms of this new credit agreement,
4 based upon discussions with lead agent banks and a review of comparable deals,
5 which was approved by the PSNH Board of Directors on June 16, 2010. As those
6 terms are in draft form and will be the subject of commercial negotiations later this year,
7 they were filed with the Commission under a request for confidential treatment per the
8 Company's July 16, 2010 Motion for Protective Order.

9

10 **Q. Do you believe the amended financing request is in the public good?**

11 A. Yes.

12

13 **Q. Does this conclude your amended testimony?**

14 A. Yes, it does.