

**THE STATE OF NEW HAMPSHIRE**  
**BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**  
**PREPARED TESTIMONY OF EMILIE G. O'NEIL**  
**ISSUANCE OF RATE REDUCTION BONDS PURSUANT TO 2015 RESTRUCTURING**  
**AND RATE STABILIZATION AGREEMENT**

**Docket No. DE 17-096**

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1 **Q. Please state your name and business address.**

2 A. My name is Emilie G. O'Neil. My business address is 247 Station Drive, Westwood,  
3 Massachusetts.

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

5 A. I am the Assistant Treasurer – Corporate Finance and Cash Management for Eversource  
6 Energy Service Company, which is an affiliated service company of Eversource Energy  
7 and its subsidiaries, including Public Service Company of New Hampshire (“PSNH” or  
8 the “Company”), d/b/a Eversource Energy (“Eversource”).

9 **Q. Please summarize your education and professional background.**

10 A. In May 1986, I earned a Master of Business Administration with a concentration in  
11 Accounting and Finance from Cornell University. In May 1982, I earned a Bachelor’s  
12 degree in Economics from Columbia University.

1 **Q. Please summarize your professional experience.**

2 A. I joined Boston Edison Company in 1987 in the Corporate Finance and Cash  
3 Management group. Over the past 30 years, I have held various positions of increasing  
4 responsibility within Boston Edison Company, NSTAR and Eversource Energy. I was  
5 promoted to the position of Director, Corporate Finance and Cash Management of  
6 NSTAR in 1999. Upon consummation of the Northeast Utilities and NSTAR merger in  
7 April 2012, I was appointed as Director, Corporate Finance and Cash Management of  
8 Eversource. On March 30, 2017, I was promoted to Assistant Treasurer – Corporate  
9 Finance and Cash Management for Eversource Energy Service Company.

10 **Q. Please describe your duties and responsibilities.**

11 A. My primary responsibilities include cash management, development and implementation  
12 of long-term financing plans, lease financings, capital structure and credit. I have  
13 testified in eighteen previous financing-related applications: Public Service Company of  
14 New Hampshire, DE 13-156 (2013) (issuance of long-term debt); Public Service  
15 Company of New Hampshire, DE 14-238 (2015) (securitization); NSTAR Gas Company,  
16 D.P.U. 15-01 (2015) (issuance of first mortgage bonds); Western Massachusetts Electric  
17 Company, D.P.U. 15-127 (2015) (issuance of long-term debt); NSTAR Gas Company,  
18 D.P.U. 09-57 (2009) (issuance of first mortgage bonds); NSTAR Electric Company,  
19 D.P.U. 16-189 (2016) (2017-2018 Finance Plan); NSTAR Electric Company, D.P.U. 13-  
20 133 (2013) (2014-2015 Finance Plan); NSTAR Electric Company, D.P.U. 12-32 (2012)  
21 (2012-2013 Finance Plan); NSTAR Electric Company, D.P.U. 08-124 (2008) (2009-2010

1 Finance Plan); NSTAR Electric Company, D.P.U. 07-43 (2007) (2007-2008 Finance  
2 Plan); Boston Edison Company and Commonwealth Electric Company, D.T.E. 04-70  
3 (2004) (securitization); Boston Edison Company, D.T.E. 03-129 (2003) (2004-2005  
4 Finance Plan); Boston Edison Company, D.T.E. 00-62 (2000) (2001-2002 Finance Plan);  
5 Boston Edison Company, D.T.E. 98-118 (1998) (securitization); Boston Edison  
6 Company, D.P.U. 94-160 (1994); Boston Edison Company, D.P.U. 92-253 (1992),  
7 Boston Edison Company, D.P.U. 92-244 (1992); and Commonwealth Electric Company,  
8 D.T.E. 02-51 (2002) (issuance of long-term debt).

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

10 A. In its review of the 2015 Public Service Company of New Hampshire Restructuring and  
11 Rate Stabilization Agreement dated June 10, 2015 (as amended, the “2015 Settlement  
12 Agreement”), the Commission approved the use of a securitized financing via the  
13 issuance of Rate Reduction Bonds (“RRBs”) under RSA Chapter 369-B to fund recovery  
14 by PSNH of unrecovered deferrals, transaction costs, tax stabilization payments,  
15 employee protections and other costs as contemplated in the 2015 Settlement Agreement.  
16 The purpose of my testimony is to support the Company’s petition for issuance of a  
17 Finance Order authorizing the issuance of the RRBs as contemplated in the 2015  
18 Settlement Agreement.

19 I explain the methodology for determining the RRB Charge which is a portion of the  
20 stranded cost recovery charge (“SCRC”) required to satisfy the Periodic RRB Payment

1 Requirements (as defined below) for the proposed issuance (the “RRB Transaction”) of  
2 RRBs and identify the anticipated transaction costs of the RRB Transaction.

3 The Company is also presenting testimony of Katrina Niehaus of Goldman Sachs. The  
4 Company has selected Goldman Sachs to be the structuring agent for the proposed  
5 securitization financing. Ms. Niehaus describes the securitization process, the  
6 requirements for a Triple-A rating, and the mechanisms currently used in the marketplace  
7 to support such a rating.

8 The Company is also presenting the testimony of Christopher Goulding, Manager –  
9 Revenue Requirements. Mr. Goulding discusses the ratemaking measures and tariff  
10 changes necessary to implement the RRB issuance. He also discusses how the RRB  
11 Charge will be allocated among rate classes as approved in the 2015 Settlement  
12 Agreement.

13 **Q. What is PSNH seeking from the Commission in this proceeding?**

14 A. In connection with the 2015 Settlement Agreement, PSNH is requesting the opportunity  
15 to securitize certain costs that will result from the divestiture of its generation assets. The  
16 categories of permissible stranded costs that may be securitized are identified in RSA  
17 369-B:3,IV,(c) as “stranded costs, deferrals, transaction costs, tax liabilities, employee  
18 protections, payments in lieu of taxes, and other expenditures as contemplated in the  
19 2015 [S]ettlement [Agreement].” These costs are detailed in the 2015 Settlement  
20 Agreement which provides (at lines 261-264):

1 RRBs shall be authorized in an amount sufficient to fund  
2 reasonably expected stranded costs, cost and revenue deferrals,  
3 transaction costs, transaction advisor fees, tax liabilities, employee  
4 protections, tax stabilization payments, decommissioning costs,  
5 retirement costs, environmental costs, and other costs, liabilities,  
6 and expenditures set forth in this Agreement...

7 We are requesting that the Commission issue a Finance Order approving this  
8 securitization financing. In the Finance Order, among other things, PSNH requests that  
9 the Commission: (i) approve the issuance of RRBs in an amount to be later determined,  
10 (ii) approve the organization and capitalization of the special purpose entity (the "SPE")  
11 to which the RRB Property will be sold, (iii) establish the RRB Property and the RRB  
12 Charge as irrevocable vested property rights per RSA 369-B:2, XV and RSA 369-B:6, I,  
13 (iv) provide for the establishment and periodic adjustment of the RRB Charge via the  
14 True-Up Mechanism (as described herein), (v) approve the general structure and terms of  
15 the RRBs (as summarized herein), (vi) approve the servicing of the RRB Charge (which  
16 includes the calculating, billing, collecting and filing for periodic adjustments to the RRB  
17 Charge) by PSNH as the initial servicer for the RRB Property (the "Servicer"), or any  
18 successor servicer (a "Successor Servicer"), (vii) approve necessary tariff provisions  
19 required to implement recovery of the RRB Charge from customers, (viii) declare the  
20 Finance Order irrevocable as provided in RSA 369-B, (ix) find the RRB Charge to be  
21 established in accordance with the Company's petition to be just and reasonable, and (x)  
22 find and declare the issuance of the Finance Order to be consistent with the public  
23 interest pursuant to RSA 369-B:3, I and RSA 369-B:1, XVI.

1 The Company's Petition sets forth a detailed transaction description and findings that we  
2 request be included in the Finance Order. The Petition also includes Findings, Orders  
3 and Approvals that the Company requests be included in the Finance Order.

4 **Q. What is the expected principal amount of the securitization financing?**

5 A. The principal amount to be financed is not yet known. That amount will depend in great  
6 part on the purchase price paid by buyers of PSNH's generation assets. As a result,  
7 PSNH is not requesting that the Commission authorize issuance of a particular principal  
8 amount but instead requests that the Commission approve the formula for determining the  
9 actual principal amount as set forth in the testimony of Mr. Goulding. The Issuance  
10 Advice Letter submitted by the Company after the pricing date of the RRBs will contain  
11 the initial principal amount of the securitization financing, which will be calculated using  
12 the formula approved by the Commission.

13 **Q. Has PSNH previously issued RRBs?**

14 A. Yes, PSNH completed the two securitization financings listed below using a structure  
15 substantially the same as that contemplated for the upcoming RRB Transaction:

16	<u>Year</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>PUC Order No.</u>
17	2001	\$525 million	5/1/2013	4.57-6.48%	23,550
18	2002	\$50 million	2/1/2008	4.58%	23,859

19 The 2001 issuance securitized stranded costs created by the divestiture of Seabrook  
20 Station pursuant to RSA 369-B:3,IV,(b). The 2002 issuance securitized the costs to  
21 refinance a number of PURPA rate order obligation pursuant to RSA 369-B:3,IV,(a).

1 These previous securitization financings were successfully issued and paid in full as  
2 scheduled, using a methodology that is substantially the same as that proposed herein.

3 **Q. Please summarize the proposed PSNH RRB transaction.**

4 A. The 2015 Settlement Agreement includes an overview of the RRB Transaction  
5 (beginning at line 774). The Petition includes a detailed Transaction Description. The  
6 following steps illustrate the proposed RRB transaction and the cash flows involved:

7 1. Pursuant to the 2015 Settlement Agreement, PSNH is seeking approval to  
8 securitize certain costs via Part 1 of the SCRC (or the RRB Charge).

9 2. The right to recover the RRB Costs via the RRB Charge is irrevocable, pursuant  
10 to RSA 369-B:6 and the declaration by the Commission that the Finance Order be  
11 irrevocable (such irrevocable right, the RRB Property).

12 3. PSNH will create a bankruptcy-remote SPE, which will be wholly-owned by  
13 PSNH. If recommended by the structuring agent in light of market conditions at the time  
14 of the issuance of the RRBs, PSNH may create more than one bankruptcy-remote SPE,  
15 which will be wholly-owned by PSNH. However, PSNH believes it is unlikely that  
16 multiple SPEs will be required. PSNH shareholders will capitalize the SPE in an amount  
17 anticipated to be at least 0.50% of the initial principal balance of RRBs and deposited  
18 into the Capital Subaccount (as defined below). This capitalization is required by the  
19 rating agencies in order to provide a source of credit enhancement.

20 4. The SPE will need to enter into an administration agreement (the “Administration  
21 Agreement”) with PSNH pursuant to which PSNH shall perform administrative services

1 and provide facilities for the SPE to ensure that it is able to perform such day-to-day  
2 operations as are necessary to maintain its existence and perform its obligations under the  
3 RRB transaction documents. Pursuant to the Administration Agreement, PSNH will be  
4 paid a fee (the “Administration Fee”) in an amount commensurate with its costs of  
5 performing such services and providing such facilities.

6 5. PSNH will sell all of its rights in the RRB Property to the SPE in a transaction  
7 that will be intended and treated as a legal true sale and absolute transfer to the SPE. The  
8 SPE will issue and sell RRBs to capital markets investors. The RRBs will be payable  
9 solely from cashflows associated with RRB Property, primarily the RRB Charges.

10 6. All of the assets of the SPE, including the RRB Property and the other collateral  
11 of the SPE (the “Other SPE Collateral”) will be pledged as collateral to secure RRBs.  
12 The Other SPE Collateral will include, without limitation, (i) the rights of the SPE under  
13 the RRB transaction documents including the purchase agreement by which the SPE  
14 acquires the RRB Property and the agreement setting forth the servicing arrangements  
15 between the Servicer (and any Successor Servicer) and the SPE (the “Servicing  
16 Agreement”), (ii) the Collection Account and any subaccounts contained in the  
17 Collection Account, including the General Subaccount, the Excess Funds Subaccount and  
18 the Capital Subaccount (each as defined in the testimony of Ms. Niehaus) and (iii) any  
19 investment earnings on amounts held by the SPE (with the exception of the earnings on  
20 the Capital Subaccount). The Other SPE Collateral will not include any investment  
21 earnings on amounts held in the Capital Subaccount (as described below), which  
22 investment earnings will be remitted on a monthly basis to PSNH, in its capacity as the  
23 equityholder of the SPE.

1 7. The proceeds of the RRBs will be received by the SPE and remitted to PSNH as  
2 consideration for the RRB Property.

3 8. After the RRB issuance, PSNH, acting as Servicer on behalf of the SPE, or any  
4 Successor Servicer, will bill and collect the RRB Charge from customers. PSNH will  
5 transfer the RRB Charge collections to the SPE and the SPE will use these collections to  
6 make payments of principal and interest to holders of the RRBs, as well as any ongoing  
7 transaction costs. The Servicer or any Successor Servicer will be paid a fee by the SPE  
8 for performing its servicing duties (the "Servicing Fee").

9 9. PSNH will bill customers the RRB Charge regardless of who they have chosen as  
10 their energy supplier and regardless of whether or not they are self-generating (so long as  
11 they are connected to PSNH's distribution system for back-up power), thus, the RRB  
12 Charge shall be non-bypassable as set forth in RSA Chapter 369-B.

13 **Q. Please describe the Company's proposed process of billing, collecting and remitting**  
14 **RRB Charges.**

15 A. As set forth in the 2015 Settlement Agreement, the RRB Charge will be Part 1 of the  
16 SCRC, which is dedicated to the payment of the RRBs, as defined in RSA 369-B:2. XIII.  
17 PSNH, or any successor Servicer, is expected to remit to the trustee (the "RRB Trustee")  
18 of the special purpose entity formed to issue the RRBs on a daily basis an amount equal  
19 to the actual RRB Charges billed, less an allowance for estimated RRB Charge charge-  
20 offs, on or about the day such amounts are deemed to be collected.

1 The deemed collection date will be the weighted average number of days, based on the  
2 Company's historical collections experience, that a monthly bill for services remains  
3 outstanding before payment by a customer. Currently, PSNH estimates the deemed  
4 collection date to be 30 days from the date RRB Charges are billed. PSNH expects to  
5 review deemed collections data not less than annually and may adjust the deemed  
6 collection date based on actual payment patterns.

7 The allowance for estimated RRB Charge charge-offs is the Company's system-wide  
8 allowance for charge-offs. The Company will reconcile such remittances at least once  
9 annually for all remittances made in the previous year to more accurately reflect the  
10 amount of RRB Charges that should have been remitted, based on the actual system-wide  
11 charge-off percentage. To the extent such remittances reflecting billed amounts exceed  
12 the actual RRB Charges collected by the Servicer (an "Excess Remittance"), the Servicer  
13 will withhold such Excess Remittance amount from any subsequent remittance to the  
14 RRB Trustee. To the extent such remittances reflecting billed amounts are less than the  
15 actual RRB Charges collected (a "Remittance Shortfall"), the Servicer shall remit the  
16 amount of such Remittance Shortfall to the RRB Trustee on a future remittance date.

17 **Q. How will the Company remit RRB Charges to the RRB Trustee?**

18 A. The Company, or any successor Servicer, expects to deposit remittances to the General  
19 Subaccount of the Collection Account maintained by the RRB Trustee on a daily basis.  
20 These monies will be held in the General Subaccount by the RRB Trustee and will be  
21 invested in certain eligible investments until each payment date.

1 **Q. How will the RRB Trustee distribute the aggregate amount of RRB Charges**  
2 **received?**

3 A. The aggregate amount of RRB Charges received will be distributed by the RRB Trustee  
4 to pay the principal and interest on the RRBs, together with the ongoing transaction costs,  
5 including:

- 6 1. the Servicing Fee (as defined below);
- 7 2. the Administration Fee (as defined below);
- 8 3. RRB Trustee fees and expenses;
- 9 4. legal fees;
- 10 5. accounting and auditing fees;
- 11 6. SPE independent managers' fees; and
- 12 7. rating agency fees;

13 The principal and interest on the RRBs and these transaction costs, along with potential  
14 replenishments of the Capital Subaccount and deficiencies of past due principal and  
15 interest for any reason, a "Periodic RRB Payment Requirement," are collectively, the  
16 "Total RRB Payment Requirements".

17 Amounts held in the General Subaccount will be distributed in the following general  
18 order of priority: (1) for payment of certain ongoing transaction costs; (2) for payment of  
19 accrued and unpaid interest; (3) for payment of current and deferred principal; and (4) for  
20 payments of any remaining ongoing transaction costs not covered in (1) above; and (5)  
21 for replenishment of the Capital Subaccount. Any amounts remaining in the General

1 Subaccount after meeting all the Periodic RRB Payment Requirements for the period will  
2 be transferred to the Excess Funds Subaccount.

3 **Q. Please describe how the Total RRB Payment Requirements will be allocated**  
4 **amongst rate classes.**

5 A. The 2015 Settlement Agreement requires that the Total RRB Payment Requirements be  
6 allocated among PSNH's customer classes in accordance with the following rate design:

<u>Rate Class</u>	<u>Percentage of Total RRB Payment Requirements</u>
LG – Large General Service (> 1,000 kW)	5.75%
GV – Primary General Service ( $\leq$ 1,000 kW)	20.00%
G – General Service ( $\leq$ 100 kW)	25.00%
R – Residential	48.75%
OL – Outdoor Lighting	0.50%

14 If any customer class is materially reduced or consolidated to zero, its applicable  
15 allocation factor will be reallocated through a Non-Routine True-Up Letter (as defined  
16 below) on a pro-rata basis between remaining rate classes based on the then current  
17 allocation responsibility.

18 In his testimony, Mr. Goulding describes in more detail the ratemaking aspects of this  
19 cost recovery process.

1 **Q. How will the Company calculate the RRB Charges?**

2 A. Both initially and during the life of the RRBs, the RRB Charges will be calculated and set  
3 at a level intended to cover the Periodic RRB Payment Requirements. Specifically, RRB  
4 Charges will be calculated to cover (i) the principal (in accordance with the expected  
5 amortization schedule set forth at pricing) and interest on, the RRBs, (ii) ongoing  
6 transaction costs (including the Servicing Fee (as defined below), the Administration Fee  
7 (as defined below), RRB Trustee fees and expenses, rating agency fees, legal, accounting  
8 and auditing fees, SPE independent managers' fees and any indemnity obligations that  
9 are anticipated to be payable under the RRB transaction documents on or prior to the next  
10 RRB payment date), (iii) the cost of establishing and maintaining any credit enhancement  
11 required for the RRBs, including replenishment of any amounts drawn from the Capital  
12 Subaccount (as described in the testimony of Ms. Niehaus) such that the balance is equal  
13 to the targeted level, and (iv) to pay any amounts of previous RRB Payment  
14 Requirements not satisfied in the previous payment period for any reason. The projected  
15 RRB Charges will be calculated using assumptions set forth in the Issuance Advice Letter  
16 (see 2015 Settlement Agreement at lines 802-804) and each subsequent true-up filing  
17 which shall include but not be limited to projected kwh usage by customer class,  
18 expected charge-offs and expected weighted average days sales outstanding. The RRB  
19 Charges will be billed until the SPE has collected RRB Charges sufficient to discharge  
20 the Total RRB Payment Requirements.

21 When the pricing terms for RRBs are finalized, the required principal amortization  
22 payments will also be established. The total scheduled RRB Charge collections for any

1 annual or, if necessary, shorter period will include collections resulting from bills sent in  
2 prior periods and from bills sent in the current period, in each case, as a result of the  
3 expected timing of collections from the retail users of the Company's distribution system.

4 The RRB Charges will vary over the life of the RRB Transaction as a result of several  
5 factors, including changes in the outstanding principal balance of RRBs, changes in the  
6 weighted average interest cost of RRBs as the principal balance outstanding decreases,  
7 the impact of the variability of energy sales and forecasts, changes in payment patterns  
8 and charge-off experience, as well as changes in any ongoing RRB transaction costs. The  
9 calculation of the RRB Charges incorporates each of these factors.

10 **Q. What are the forecasted initial RRB Charges?**

11 A. PSNH proposes to file the initial RRB Charge for each rate class with the Issuance  
12 Advice Letter after the RRBs are priced, but prior to their issuance, in compliance with  
13 the Finance Order. PSNH requests the Commission's approval of the method for  
14 determining the initial RRB Charges so that the RRB Charges set forth in the Issuance  
15 Advice Letter will automatically become effective as of such filing.

16 **Q. What information will be incorporated into the calculation of the initial charge?**

17 A. 1. The securitized amount;  
18 2. Estimated annual ongoing transaction costs;

- 1 3. Level principal payments for each year over the fifteen-year expected amortization
- 2 schedule of the RRBs;
- 3 4. Semi-annual payments of principal and interest on the RRBs;
- 4 5. The number of days after a customer is billed that RRB Charges are deemed collected
- 5 (based on historical collections experience);
- 6 6. Daily remittances of deemed RRB Charge collections to the General Subaccount;
- 7 7. Projected kWh sales by rate class for the upcoming year;
- 8 8. A charge-off rate determined based on historical collections experience at the time of
- 9 issuance of the RRBs;
- 10 9. Any lags between a payment date and the latest date for which deemed RRB Charge
- 11 collections available to the RRB Trustee are applied to a payment date (a time period
- 12 which allows the Servicer to properly account for deemed RRB Charge collections); and
- 13 10. Weighted average coupon rates.

14 **Q. Please describe how the RRB Charges will be adjusted through the true-up**  
15 **mechanism.**

16 A. The RRB Charge “true-up” mechanism (the “True-Up Mechanism”) is a periodic  
17 adjustment to the RRB Charge, which adjusts the RRB Charge to ensure that there are  
18 adequate funds for meeting Periodic RRB Payment Requirements. This feature addresses

1 any cash flow variability and is a positive factor in reducing the need for additional credit  
2 enhancements, as the True-Up Mechanism has no upfront cost. The Servicer will file  
3 with the Commission true-up advice letters (defined below) which will define the new  
4 RRB Charges and identify the number of days after a customer is billed that RRB  
5 Charges are deemed collected, the RRB charge-off percentage and the forecasted kwh  
6 billed by rate class.

7 Not later than December 1 of each year while the RRBs are outstanding, the Servicer will  
8 file with the Commission a true-up advice letter (“Annual Routine True-Up Letter”). The  
9 RRB Charges will be adjusted to ensure that there are adequate funds to meet the next  
10 two (July 1 and January 1) Periodic RRB Payment Requirements.

11 In addition, if the Servicer, as of June 1 of each year while the RRBs are outstanding,  
12 reasonably projects that expected collections of the RRB Charges will be insufficient to  
13 meet the next Periodic RRB Payment Requirements (January 1), the Servicer will file a  
14 true-up advice letter (“Mid-year Routine True-Up Letter”) not later than June 1 of such  
15 year.

16 In addition, (a) except during the two Remittance Periods preceding the maturity date of  
17 the latest maturing tranche of RRBs, the Servicer may (but shall not be required to) file  
18 an additional true-up advice letter (“Other Routine True-Up Letter” and together with the  
19 Annual Routine True-Up Letter and Mid-year Routine True-Up Letter, a “Routine True-  
20 Up Letter”) not later than the date that is 15 days before the end of the then-current  
21 calendar month if the Servicer reasonably projects that expected collections of the RRB  
22 Charges will be insufficient to meet the next Periodic RRB Payment Requirements (either

1 January 1 or July 1) and (b) during the two Remittance Periods preceding the maturity  
2 date of the latest maturing tranche of RRBs, if the Servicer reasonably projects that  
3 expected collections of the RRB Charges will be insufficient to meet the next Periodic  
4 RRB Payment Requirements, the Servicer shall file an Other Routine True-Up Letter not  
5 later than the date that is 15 days before the end of the then-current calendar month.

6 Absent manifest error in a Routine True-Up Letter, the resulting upward or downward  
7 adjustments to the RRB Charges will be deemed approved by the Commission and  
8 effective: (i) in the case of any Annual Routine True-Up Letter, on the ensuing January 1;  
9 (ii) in the case of any Mid-year Routine True-Up Letter, on the ensuing July 1; or (iii) in  
10 the case of an Other Routine True-Up Letter, on the first day of the ensuing month.

11 In addition, PSNH seeks Commission authorization that whenever it is determined that  
12 the methodology used to calculate RRB Charge adjustments requires modification to  
13 more accurately project and generate adequate RRB Charge collections, a non-routine  
14 true-up letter (“Non-Routine True-Up Letter”) may be filed, with the resulting RRB  
15 Charge adjustments (reflecting such modification to the methodology or model) to be  
16 effective upon review and approval by the Commission within 30 days of such filing.

17 Both Routine True-Up Letters and Non-Routine True-Up Letters shall be filed  
18 periodically through the legal final maturity date of the latest maturing tranche of RRBs.

19 The adjusted RRB Charges in each Routine True-Up Letter and Non-Routine True-Up  
20 Letter will be calculated such that the aggregate RRB Charges billed for the applicable  
21 period will result in RRB Charge collections that are sufficient to meet Periodic RRB  
22 Payment Requirements. When calculating the adjusted RRB Charges, any amounts in the

1 Excess Funds Subaccount (as described in the testimony of Katrina Niehaus) on any true-  
2 up date will be taken into account such that the balance in the Excess Funds Subaccount  
3 will be expected to be zero at the end of the period for which the RRB Charges are being  
4 adjusted.

5 This True-Up Mechanism is substantially identical to what was used in PSNH's two prior  
6 securitization financings. The only difference of any substance is that in the prior  
7 securitization financings, routine true-up letters were filed semi-annually, instead of  
8 annually as proposed here.

9 **Q. How will subsequent RRB Charges be calculated?**

10 A. As an example of a subsequent adjustment calculation, the RRB Charges to be  
11 established with the first Annual Routine True-Up Letter expected to be filed on  
12 December 1, 2018 and scheduled to be in effect through December 31, 2019, must be  
13 derived such that the aggregate RRB Charges billed for such period will result in deemed  
14 RRB Charge collections that are sufficient (i) to pay the estimated ongoing transaction  
15 costs incurred from January 2, 2019 through January 1, 2020, including the semi-annual  
16 payments of the Servicing Fee and the Administration Fee on July 1, 2019 and January 1,  
17 2020; (ii) to make semiannual interest payments on July 1, 2019 and January 1, 2020;  
18 (iii) to reduce the principal balance of RRBs on July 1, 2019 and January 1, 2020 in  
19 accordance with the expected amortization schedule; (iv) to replenish the Capital  
20 Subaccount to the targeted balance if necessary; and (v) to pay any amounts of previous  
21 Periodic RRB Payment Requirements not satisfied in the previous year. Factors used in

1 the calculation will include the forecasted kwh billed by rate class for the upcoming year,  
2 the number of days after a customer is billed that RRB Charges are deemed collected and  
3 the RRB charge-off percentage.

4 This calculation will also take into account any balance in the Excess Funds Subaccount  
5 as of the filing of the Annual Routine True-Up Letter.

6 On the semi-annual payment dates of January 1 and July 1, if available RRB Charge  
7 collections and investment earnings in the General Subaccount exceed the amount  
8 necessary to pay the Periodic RRB Payment Requirement, such excess will be transferred  
9 to the Excess Reserve Subaccount and will serve to reduce the RRB Charge and the  
10 required amount of RRB Charge collections in the subsequent period. Conversely, if the  
11 available RRB Charge collections and investment earnings in the General Subaccount are  
12 less than necessary to pay the Periodic RRB Payment Requirement, then any funds in the  
13 Excess Funds Subaccount will be used first to meet the Periodic RRB Payment  
14 Requirement.

15 **Q. Please describe the estimated upfront transaction costs of issuing RRBs.**

16 A. The Company estimates the upfront transaction costs of issuing RRBs based on  
17 commercially reasonable assumptions to be approximately \$6,003,000 as described in  
18 more detail in Schedule 1. These transaction costs will include accounting and auditing  
19 fees, legal fees and expenses, printing and filing costs, rating agency fees, Securities and  
20 Exchange Commission registration fees (“SEC Fees”), servicer set-up costs, the  
21 Structuring Agent fee, RRB Trustee fees, underwriting costs, original issue discount on

1 the RRBs and other costs to establish the securitization structure. Certain of the upfront  
2 transaction costs will vary depending upon the actual principal amount of RRBs to be  
3 issued, prevailing market rates as determined at the time of RRB pricing, the timing of  
4 the RRB Transaction and/or the complexity of the agreements governing the RRBs. The  
5 upfront transaction costs can only be estimated at this time because the actual expenses  
6 will not be known until the principal amount of the financing is determined, the  
7 applicable agreements are negotiated and the actual costs are incurred.

8 **Q. How will the Company recover the upfront transaction costs of issuing RRBs?**

9 A. The Company proposes to recover the upfront transaction costs of issuing RRBs out of  
10 the proceeds of the RRB Transaction and to include such costs as securitized costs  
11 pursuant to RSA 369-B:3,IV,(c). To the extent payment prior to issuance is required,  
12 such costs will be paid by PSNH on behalf of the SPE and reimbursed from the proceeds  
13 of the RRB Transaction.

14 **Q. What are the ongoing transaction costs of the RRB Transaction?**

15 A. In addition to the Servicing Fee described below, it is anticipated that other costs and  
16 expenses will be incurred throughout the life of the RRBs. A list of the expected  
17 expenses, estimated to total approximately \$581,400 annually, is set forth in Schedule 2  
18 and will include the Administration Fee described below, the ongoing rating agencies  
19 fees, fees and expenses for the RRB Trustee, legal, accounting and auditing fees, SPE  
20 independent managers' fees and other costs. The ongoing transaction costs of the RRB

1 Transaction can only be estimated at this time because the actual expenses will not be  
2 known until the principal amount of the financing is determined, the applicable  
3 agreements are negotiated and the actual costs are incurred. Current estimates of the  
4 ongoing transaction costs are based on commercially reasonable assumptions with input  
5 from the structuring agent.

6 **Q. What is the estimated servicing fee and how will it be calculated?**

7 A. In consideration for its servicing responsibilities, the Servicer will receive a periodic  
8 servicing fee (the “Servicing Fee”) which will be recovered through the RRB Charges.

9 To support the bankruptcy analysis, the Servicing Fee must be on arm’s length terms and  
10 market-based. The Servicing Fee is estimated to cover out-of-pocket costs and expenses  
11 incurred by PSNH to service RRBs including, without limitation, billing, monitoring,  
12 collecting and remitting RRB Charges, and reporting requirements imposed by the  
13 Servicing Agreement.

14 Subject to changes in market conditions and rating agency requirements, the Servicing  
15 Fee will be calculated as a percentage of the initial principal balance of RRBs. The  
16 annual Servicing Fee to be paid to PSNH is currently expected to be approximately  
17 0.05% of the initial principal balance, payable semi-annually or more frequently, and  
18 represents a reasonable, good faith estimate of the ongoing marginal cost to PSNH of  
19 fulfilling servicing responsibilities. A higher servicing fee of up to approximately 0.60%  
20 will be paid to any other Servicer that does not concurrently bill the RRB Charges with  
21 other charges for service to reflect the additional costs related thereto.

1 **Q. Please describe other ongoing transaction costs in more detail.**

2 A. (1) Pursuant to the Administration Agreement, PSNH or a third party will act as  
3 administrator of the SPE, providing ministerial services and facilities necessary for the  
4 day-to-day operations of the SPE in return for the Administration Fee. The expected  
5 administration fee shall be a fixed amount not to exceed \$75,000 annually (the  
6 “Administration Fee”). Additional SPE expenses will include the miscellaneous costs  
7 associated with operating the SPE.

8 (2) The rating agencies will assess ongoing fees associated with the monitoring of each  
9 RRB offering.

10 (3) The RRB Trustee will receive a fee for, among other things, (i) investing the RRB  
11 Charge collections received from the Servicer in high quality, short-term and long-term  
12 debt instruments; (ii) maintaining a record of bondholders; (iii) calculating and remitting  
13 interest and principal payments to the bondholders; and (iv) reporting as required by the  
14 Commission or any other regulatory body.

15 (4) In addition, the SPE will incur ongoing accounting and legal fees, SPE independent  
16 managers’ fees, certain indemnity obligations under the RRB Transaction documents, and  
17 other miscellaneous costs from time-to-time.

1 **Q. How will the Company confirm to the Commission the final terms, pricing and costs**  
2 **of the RRB Transaction?**

3 A. After pricing of the RRBs, but before issuance, the Company will file an Issuance Advice  
4 Letter with the Commission, which will set forth the final structure and repayment terms  
5 of the RRB Transaction, the identity of the SPE, the total principal amount and pricing of  
6 the RRBs, the initial RRB charges by class to be implemented upon issuance of the  
7 RRBs, the capital contribution amount and the actual upfront transaction costs. The final  
8 terms and conditions of the RRBs, including the schedule of principal amortization, credit  
9 enhancement, the frequency of principal or interest payments, the interest rates on the  
10 RRBs, the number of credit ratings and the terms of the final transaction documents,  
11 shall, to the extent consistent with the provisions of the Finance Order, be determined by  
12 the Company.

13 **Q. How will earnings in each of the subaccounts be allocated?**

14 A. Earnings in each of the subaccounts will be allocated as follows:

15 General Subaccount: Earnings will be applied to make payments in the order defined by  
16 the priority of payments as discussed previously. To the extent not required to make  
17 payments of principal and interest, to fund ongoing transaction costs or to replenish  
18 withdrawals from the Capital Subaccount, the earnings will be transferred to the Excess  
19 Funds Subaccount and used to reduce future RRB Charges.

20 Capital Subaccount: Earnings on PSNH shareholder contributions to the Capital  
21 Subaccount will be remitted to PSNH on a monthly basis.

1        Excess Funds Subaccount: To the extent not required to make payments of principal and  
2        interest, to fund ongoing transaction costs or to replenish withdrawals from the Capital  
3        Subaccount, the earnings will be reflected in the calculation of required true-up  
4        adjustments and used to reduce future RRB Charges.

5        **Q.     How will the proceeds of the RRB issuance be applied?**

6        A.     The RRB proceeds combined with the sale proceeds from the proposed asset divestiture  
7        contemplated by the 2015 Settlement Agreement are forecasted to be used as follows:

- 8        •     To pay upfront transaction costs.
- 9        •     To redeem long and short term debt. The amount of short term debt redeemed will  
10        depend upon the amount outstanding at the time of issuance. The Company may call,  
11        and pay the required premium for early redemption on, its \$110 million Series O First  
12        Mortgage Bonds which mature on May 1, 2018 and carry a coupon of 6.00%.
- 13        •     To pay a return of capital to Eversource to maintain a consistent capital structure at  
14        PSNH.

15        **Q.     Other than issuance of a Finance Order from the Commission, are any other**  
16        **approvals necessary to consummate the securitization financing?**

17        A.     Yes.

18        PSNH is regulated by the Maine Public Utilities Commission. Under Maine law, the  
19        creation of a wholly-owned SPE is deemed to be a corporate reorganization that must be

1 approved by the Maine Public Utilities Commission. PSNH received such Maine PUC  
2 approvals for its prior securitization financings. The Maine PUC Staff is aware of the  
3 likelihood of another securitization financing by PSNH and timely receipt of the  
4 necessary approval is expected.

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

6 **A. Yes.**