

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

Docket No. DG 17-xxx

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities

**Petition for Authority to Issue Long Term Debt and  
to Waive Portions of Puc 509.03**

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities (the “Company” or “EnergyNorth”), through counsel, respectfully petitions the New Hampshire Public Utilities Commission pursuant to RSA 369 and Puc 509.03 for authority to: (i) issue long-term debt in an amount not to exceed \$18.2 million to replace a maturing intercompany promissory note of the same amount; and (ii) issue new long-term debt in an amount not to exceed \$69.6 million to replace that portion of its short-term debt that the Company used to fund capital projects.

EnergyNorth also asks the Commission to waive portions of Puc 509.03 that are not applicable to this filing.

In support of this petition, the Company states as follows:

1. RSA 369 governs utility requests for Commission authority to issue long term debt. RSA 369:4 requires the Commission to “determine the actual or probable cost incurred or to be incurred” with proposed financings, and to find that the financings are “consistent with the public good” before it may “authorize the same.” Puc 509.03 lists the information to be included in a financing petition.

2. To help the Commission determine the costs to be incurred for the financing proposed in this petition, and find that the financing is for the public good and in compliance with Puc 509.03, EnergyNorth has filed this petition, the testimony of Mark T. Timpe, and various schedules, Exhibit A, and the promissory notes and board authorizations for the two loans addressed in this petition, Exhibits B and C. These documents are sufficient to support a Commission order authorizing the proposed financing.

**The Replacement Financing**

3. As part of Liberty’s acquisition of EnergyNorth from National Grid in 2012, the Commission authorized EnergyNorth to issue up to \$90 million in long term debt. Order No. 25,370 at 37-40 (May 30, 2012). The debt issued under that authority consists of the following borrowings from EnergyNorth’s parent company, Liberty Utilities Corp. (“LUCo”):

| Borrower    | Lender | Amount          | Rate  | Maturity Date |
|-------------|--------|-----------------|-------|---------------|
| EnergyNorth | LUCo   | \$18,181,818.18 | 3.51% | Dec. 20, 2017 |
| EnergyNorth | LUCo   | \$41,818,181.82 | 4.49% | Dec. 20, 2022 |
| EnergyNorth | LUCo   | \$21,818,181.82 | 4.89% | Dec. 20, 2027 |
| EnergyNorth | LUCo   | \$8,181,818.18  | 4.89% | Dec. 20, 2027 |

4. In this petition the Company seeks authority to replace the first tranche of debt, the \$18,181,818.18 that matures on December 20, 2017, with a borrowing of the same amount also from LUCo (the “Replacement Financing”). EnergyNorth proposes to price the debt on a U.S. Treasury rate published the day before closing plus a 1.60% credit

spread, which is equal to the average credit spread of two recent LUCo private placement notes. The Company proposes a 15 year term to preserve the original maturity ladder, and otherwise intends to include terms that are similar to the existing debt.

5. This first request does not seek authority for new debt, but merely to refinance existing debt.

### **The New Debt Financing**

6. The Company's second request is for Commission authority to issue up to \$69.6 million in new long term debt to pay off existing short term debt. EnergyNorth incurred this short term debt to fund construction activities that gave rise to long-lived assets such as Cast Iron/Bare Steel replacement, distribution system growth, and system upgrades (the "New Debt Financing").
7. The Commission established EnergyNorth's short-term debt limit in Docket No. DG 06-122 and ordered that the amount is to be recalculated annually in the Winter Cost of Gas proceeding. Order No. 24,824 (Feb. 29, 2008). The short-term debt limit consists of a portion of the projected gas costs for the upcoming winter and a portion of forecasted net plant for the next calendar year. The current short term debt limit is \$88,678,180, which is the sum of \$19,066,764 in projected gas costs and \$69,611,416 in non-fuel-related short term debt. Order No. 25,958 at 8 (Oct. 26, 2016).
8. EnergyNorth had approximately \$83.8 million of outstanding short-term debt as of June 30, 2017,<sup>1</sup> consisting of notes payable to LUCo. In this petition EnergyNorth seeks authority to issue up to \$69.6 million of long-term debt which will be used to

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<sup>1</sup> If EnergyNorth nears its short-term borrowing limit during the pendency of this docket, LUCo will make a capital infusion that will be used to repay a portion of the outstanding short-term debt, thus keeping EnergyNorth below the short-term debt limit.

replace that part of the short-term debt used to pay for capital assets. This New Debt Financing will also be issued to LUCo, with the same pricing mechanism and 15-year term as the Replacement Financing described above.

9. The requirements of Puc 509.03 have been met as to both financings, or are not applicable. Attached as Attachment MTT-1 to Mr. Timpe's testimony is a completed Form F-4 that includes the items required by Puc 509.03(b)(1) through (5) (a description of existing debt, the new debt, and the purpose of the financing; the estimated cost of the financing; EnergyNorth's current balance sheet adjusted for the financing; the Company's current income statement adjusted for financing; and a statement of capitalization ratios after giving effect to the proposed financing).
10. Puc 509.03(b)(6) requires a copy of the "purchase and sale agreement for long term financing including any letter of commitment from a lender stating details of financing." The Company has filed a copy of the proposed promissory notes with LUCo, which provide the necessary details of the financing, Exhibit B. And Puc 509.03(b)(9) requires resolutions of EnergyNorth's board of directors authorizing the proposed financing, which are attached, Exhibit C. Signed copies of the board authorizations will be filed shortly.
11. Two provisions of Puc 509.03 are inapplicable, and thus EnergyNorth seeks a waiver of their requirements pursuant to Puc 201.05. Puc 509.03(b)(7), which requires a copy of "the mortgage indenture," and Puc 509.03(b)(8), which requires a copy of the "terms of new common or preferred stock," are inapplicable given the nature of the financing. There will be no mortgage or stock issuance.

12. As stated above, “compliance with the rule would be ... inapplicable given the circumstances” of this filing, Puc 201.05(b)(1), and thus the “waiver serves the public interest” and “will not disrupt the orderly and efficient resolution of matters before the commission,” Puc 201.05(a).
13. Finally, as required by Puc 509.03(d), the Company certifies as follows: “The petitioner utility company believes and, therefore, alleges that the securities to be issued will be consistent with the public good and that it is entitled to issue said securities under RSA 369 for the purposes set forth in its petition.”
14. For the reasons outlined in this petition and as more fully explained in Mr. Timpe’s testimony and attachments, EnergyNorth submits that these two financing requests represent the most cost effective way to refinance the existing debt and to issue new debt to replace short-term debt, all of which supports a conclusion that these financing proposals are in the public interest. RSA 369:1 and :4.
15. The Company respectfully requests a Commission order by November 1, 2017, so that it may close the first proposed financing before the December 20 maturing of the existing loan, and so that it may close the second proposed financing to return reasonable head room beneath the short term debt limit.

WHEREFORE, EnergyNorth respectfully asks that the Commission to:

- A. waive the requirements of Puc 509.03(b)(7) and (b)(8) as described above;
- B. authorize the Company to issue up to \$18.2 million in long term debt in Replacement Financing under the conditions described above;
- C. authorize the Company to issue up to \$69.6 million in New Debt Financing under the conditions described above; and

D. grant such other relief as is just and reasonable and consistent with the public interest.

Respectfully submitted,

Liberty Utilities (EnergyNorth Natural Gas) Corp.  
d/b/a Liberty Utilities

Date: August 25, 2017



By: \_\_\_\_\_  
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Certificate of Service

I hereby certify that on August 25, 2017, a copy of this petition has been forwarded to the Office of Consumer Advocate.



By: \_\_\_\_\_  
Michael J. Sheehan, Senior Counsel #6590