

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. [DG 24-059](#)

Northern Utilities Inc.

F-4 Petition for Authority to Issue Securities

Technical Statement of Faisal Deen Arif, Gas Director &

Bruce L. Blair, Public Utility Analyst

Department of Energy, Division of Regulatory Support

May 31, 2024

The New Hampshire Department of Energy (“DOE” or the “Department”) submits this technical statement pursuant to the proceedings in Docket No. [DG 24-059](#) and the [Procedural Order](#) issued by the Public Utilities Commission (“PUC” or the “Commission”) dated April 30, 2024.

This statement pertains to the authority requested by Northern Utilities Inc. (“Northern”, or “the Company”) to issue senior unsecured long-term debt in an aggregate amount up to \$50,000,000 (hereafter referred to as \$50.0 million). Northern proposes that the debt instruments be sold at par, having a maturity of up to 30 years, and bearing a fixed coupon of not more than 7.50%. The proposed marketing method is private placement.

The purpose of this statement is to provide the Commission with additional information on the Department’s analytical findings to validate Northern’s request and to provide DOE’s recommendation for the current petition.

Overall, the Department supports Northern’s current request and views the request as routine under the current circumstances.¹

¹ Should the circumstances be different (e.g., the purpose and type of security issuance, financing mode etc.), the request may not be construed as “routine” and would, therefore, may require greater regulatory scrutiny.

The current technical statement is organized as follows:

1. Background
2. Summary of Docket Activity
3. DOE Observations
4. DOE Position
5. DOE Recommendation

1. Background

On April 5, 2024, Northern filed a petition pursuant to RSA 369:1, and 369:4, and PUC Rule 507.02 for authority to issue securities. Northern proposes to issue and sell at par, by private sale, unsecured promissory notes not to exceed \$50.0 million.

Northern's petition included the direct testimony (the "[AFCG Testimony](#)") of Andre J. Francoeur, Financial Planning and Analysis Manager, and Christopher J. Goulding, Vice President of Finance and Regulatory for Unitil Service Corporation along with two attachments.

2. Summary of Docket Activity

The Commission acknowledged Northern's petition on April 8, 2024. The Department submitted its Notice of Appearance into the docket on April 19, 2024. A procedural order was issued by PUC on April 30, 2024 in which the Commission asked the Department to provide its recommendation(s) on or before May 31, 2024.

The Department issued its Data Request (DR) Set-1 on April 22, 2024. The responses were received on May 6, 2024. This current technical statement benefits from the DR responses that Northern was able to provide. The process of securing approval for issuing senior unsecured long-term debt commenced early and as such, Northern was not able to provide answers for all DRs as indicated in Attachment 1.

3. DOE Observations

The Department reviewed the current petition as well the responses from DR Set-1 provided by Northern. For greater relevance, the Department further reviewed similar petitions i.e. [DG 14-101](#), [DG 17-019](#), and [DG 19-090](#).

Based on the review, the Department notes that:

- i) Northern is targeting to issue senior unsecured long-term debt up to \$50,000,000 (i.e., \$50.0 million). See “[AFCG Testimony](#)”, p. 3, lines 1-3.
- ii) The Company expects that the issuance proceeds will be used to recapitalize short-term debt. See the “[AFCG Testimony](#)”, p. 4, lines 6-7.
- iii) Northern is targeting a 30-year issuance with fixed coupon rates not to exceed 7.50%. See “[AFCG Testimony](#)”, p. 3, lines 10 -12. While Northern anticipates that the ultimate coupon rate will be consistent with current market rates (approximately 6.50%), the additional spread of 100 basis points is requested to provide sufficient flexibility in the event of unanticipated widening of credit spreads due to uncertainty or volatility in the capital markets.² See “[AFCG Testimony](#)”, p. 5, lines 4 – 7.
- iv) Subject to regulatory approval, the Company expects to price the debt in the third quarter of 2024 and close the transaction within at least three months of pricing. See “[AFCG Testimony](#)”, p. 8, lines 15-16.
- v) The projected financing costs is \$300,000, which includes ratings fees, legal fees, and underwriting fees. See “[AFCG Testimony](#)”, p. 7, line 9 (Chart).

² The final financing structure, terms and conditions, amounts, documentation, and rate will be determined at the time of issuance.

- vi) The debt issuance is expected to be sold at par by private placement to institutional investors. See “[AFCG Testimony](#)”, p. 3, lines 10 – 11.
- vii) Northern anticipates several investors participating in the private placement market. Setting the coupon rate up to 7.50% will provide the Company the flexibility to accommodate multiple bids and price the issuance appropriately. See “[AFCG Testimony](#)”, p. 5, lines 1 – 9.
- viii) Northern states that the majority, if not all, of the proceeds of the debt issuance will be used to repay short-term debt. See “[AFCG Testimony](#)”, p. 4. Lines 6 – 7 and DOE 1-03. As of December 31, 2023, the Company’s short-term debt balance was approximately \$86 million. See the “[AFCG Testimony](#)”, p. 4, lines 3 – 4.
- ix) Northern uses internally-generated funds, supplemented with short-term debt to fund capital projects, projects related to the provision or installation of meters, services and mains, including the replacement of outdated bare steel mains. See “[AFCG Testimony](#)”, p. 3, lines 16 – 19.
- x) Northern’s capital spending since the last financing has totaled \$178.5 million. See “[AFCG Testimony](#)”, p. 3, lines 21-22 and [Schedule AFCG-1](#). Northern’s budgeted capital expenditures in 2024 are approximately \$65 million. See “[AFCG Testimony](#)”, p. 3, lines 21 – 22. If the proceeds from the debt issuance exceed the outstanding short-term debt, the excess funds can be expected to help fund Northern’s 2024 projected capital spending of \$65.4 million. See [Schedule AFCG-1](#).

4. DOE Position

The Department thoroughly reviewed the financing proposal and the additional responses received from Northern. In light of this review, the DOE is of the position that:

- The proposed use of funds is appropriate;

- The amount of up to \$50.0 million is not excessive;
- The cost of the financing is reasonable;
- The expected interest rate is consistent with that of other entities with similar credit ratings;
- There will not be a deleterious effect on capitalization (current and pro-forma debt-to-equity ratio would remain at 55:45); and
- There will be no discernible impact on rates based upon current available information.

As such, the DOE supports Northern's proposed financing request and views this current petition as routine under the given circumstances.

5. DOE Recommendation

In light of the foregone analysis, the Department recommends the approval of the petition through an order *nisi*.

ClerksOffice@puc.nh.gov

amanda.o.noonan@energy.nh.gov

Ashraful.Alam@energy.nh.gov

Bruce.L.Blair@energy.nh.gov

Energy-Litigation@energy.nh.gov

Faisal.DeenArif@energy.nh.gov

Molly.M.Lynch@energy.nh.gov

ocalitigation@oca.nh.gov

taylorp@unitil.com

thomas.c.frantz@energy.nh.gov