

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 20-096

NEW ENGLAND POWER COMPANY D/B/A NATIONAL GRID

Petition for Approval to Issue Long-Term Debt Securities and Request for Rule Waiver

**Order Approving Petition for Authority to Issue Long-Term Debt
and Granting Waiver**

ORDER NO. 26,400

August 31, 2020

In this order, the Commission grants New England Power Company authority to issue up to \$1.1 billion of long-term debt securities over a three-year period. The Commission waives inapplicable filing requirements, finds that the debt is consistent with the public good, and approves the petition as proposed.

I. PROCEDURAL HISTORY

On June 15, 2020, pursuant to RSA 369:1, New England Power Company filed a Petition for Authority to Issue Long-Term Debt Securities (Petition). New England Power Company d/b/a National Grid (NEP or Company) is a Massachusetts corporation and a subsidiary of National Grid USA, a Delaware corporation, and a wholly-owned indirect subsidiary of National Grid plc, with a principal office in Waltham, Massachusetts. NEP is authorized to conduct business in the State of New Hampshire as a public utility as defined in RSA 362:2, and is subject to the jurisdiction of the Commission. NEP is also regulated as a public utility by the Federal Energy Regulatory Commission (FERC). NEP owns and/or operates approximately 2,700 miles of transmission lines in Massachusetts, Vermont, New Hampshire, and Rhode

Island. In New Hampshire, NEP owns and operates approximately 417 miles of transmission lines. Petition at 1.

The Company's June 15 filing included testimony, information required by the New Hampshire Code of Administrative Rules, Puc 308.12 and a request for waivers of Puc 308.12 (b) (7), (8), and (9). On August 19, Staff issued a memorandum to the Commission, recommending approval of the Petition and the requested waivers.

The Petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at <https://www.puc.nh.gov/Regulatory/Docketbk/2020/20-096.html>.

II. POSITIONS

A. New England Power Company

In its Petition, NEP stated that it seeks authority to issue new long-term debt not to exceed an aggregate principal amount of \$1.1 billion for a period of three years beginning on the date of the Commission's approval. The Company stated that it will use the proceeds for one or more of the following purposes: to refinance short-term debt, to finance NEP's capital needs, to construct utility plant and properties, to reimburse the treasury, to fund maturing debt, and for other general corporate purposes, including but not limited to the restructuring of NEP's capitalization. The Company also requested authorization to choose the type of debt to issue, which may include medium- and long-term notes, bonds, debentures, revolving credit-loans, and bank loans. According to the Petition, the terms to maturity would be no shorter than a year and no longer than 30 years.

NEP stated that it seeks flexibility to issue the debt internally to affiliates; or to third parties in either public offerings or private placements, or Rule 144A transactions under the

Securities Act of 1933 (17 C.F.R. 230.144A), with or without investment bankers. The Company also requested that it be permitted to issue unsecured debt, taxable or tax-exempt debt including but not limited to green bonds, with an interest rate that could be fixed or adjustable.

The Company stated that, based on recent historic rates, it is reasonable to assume that the maximum interest rate for a bond with a 30-year term will be 7 percent, although the interest rate payable on the new debt will vary depending on market conditions at the time of issuance. Finally, NEP sought authority to enter into evidences of indebtedness and related instruments in connection with the new debt, including, but not limited to, loan agreements, indentures, supplemental indentures, promissory notes, debentures, credit agreements, participation agreements, underwriting or similar agreements, bond purchase agreements, remarketing agreements and security agreements.

The terms of each instrument would be substantially similar to the terms for comparable transactions available in the credit market, at the time of new debt issuance, to companies having a credit rating substantially equivalent to the Company's credit rating. *See* Petition at 2-4.

NEP's Petition described debt obligations, which include long-term debt maturing on November 1, 2020, in the amount of \$186.45 million and short-term debt of approximately \$133.1 million. *See* Staff Recommendation (August 19, 2020). NEP seeks authority to incur new debt from time to time over a three-year period from the date of approval. Petition at 1.

NEP requested waivers from the requirements of Puc 308.12 (b) (7), (8) and (9) on the grounds that they are not applicable to the current circumstances. *See* NEP Cover letter (June 15, 2020).

B. Commission Staff

Staff recommended approval of the requested financing plan and the requested waivers from Puc Rule 308.12(b) (7), (8) and (9). Staff's memorandum states:

[I]t is Staff's opinion that, based on the current total of outstanding long-term debt reported by NEP, the proposed refinancing of existing debt in the amount of \$186.45 million, plus new debt of approximately \$913.55 million, will have a limited impact on NEP's capital structure and the Company's cost of debt and revenue requirement. As such, Staff supports the Company's position that approval of the petition would be in the public good and in conformance with the review standards of RSA 369.

Staff Recommendation at 3. Staff also recommended that NEP inform the Commission about the results of its debt issuance.

III. COMMISSION ANALYSIS

RSA 369:1 states that a utility "may, with the approval of the commission but not otherwise, issue and sell its stock, bonds, notes and other evidences of indebtedness payable more than 12 months after the date thereof for lawful corporate purposes." The Commission may conduct a "hearing or investigation as it may deem proper," and authorize the financing "if in its judgment the issue of such securities upon the terms proposed is consistent with the public good." RSA 369:4. The Commission typically reviews the amount to be financed, the reasonableness of the terms and conditions, the proposed use of the proceeds and the effect on rates. *Appeal of Easton*, 125 N.H. 205, 211 (1984).

The rigor of an *Easton* inquiry varies depending on the circumstances of the request. We engage in a more limited review for routine financing requests. *Hampstead Area Water Company Inc.*, Order 26,381 at 9 (July 21, 2020). A routine request is one that will have no discernible impact on rates or deleterious effect on capitalization, and in which the funds are to enable numerous investments appropriate in the ordinary course of utility operations. *Id.*

(quotations and citations omitted). A routine request calls for a more limited examination of whether the use of financing proceeds is in the public good without further review of possible alternative uses of the funds. *Id.* (quotations and citations omitted).

NEP requests that its Petition be treated as a routine financing because NEP is regulated by FERC, and the financing only affects elements of retail rates that are not subject to the Commission's jurisdiction. *See* Petition at 5-6. We agree. NEP's financing costs are approved by FERC for inclusion in transmission rates, which are paid for by energy suppliers and ultimately passed on to retail ratepayers when the power is delivered to those end users. *See* Order No. 25,989 (February 16, 2017). NEP has no retail ratepayers in New Hampshire. NEP's affiliate conducts retail operations in Massachusetts. As a result, the Massachusetts Department of Public Utilities may have an enhanced interest in NEP's operations, and NEP has requested that the Massachusetts Department approve the proposed financing transaction, in Docket No. D.P.U. 20-62. Petition at 5.

The long-term debt is proposed in part for the purpose of re-financing existing short- and long-term debt. The debt is supported by sufficient balance of net plant. The proposed financing will have a limited impact on NEP's capital structure and the Company's cost of debt and revenue requirement. Staff Recommendation at 3. The Commission finds that granting the Petition is consistent with the public good. We therefore approve the Petition, pursuant to RSA Chapter 369, conditioned upon authorization of the issuance by the Massachusetts Department of Public Utilities in D.P.U. 20-62.

We also agree with NEP that Puc 308.12(b) (7), (8), and (9), are inapplicable to this Petition. Those rules require a utility to file the following documents when seeking authority to issue securities: a copy of the private placement memorandum for long-term financing including

any letter of commitment from a lender stating details of financing; a copy of the proposed promissory note and mortgage; and a copy of terms of new common or preferred stock. No debt related documents are available at this time because the debt will be issued over a period of several years and no stock will be issued pursuant to the Petition. Accordingly, under Puc 201.05(b) (1), which allows for waiving inapplicable requirements, we grant the requested waivers.

The Commission and Staff retain authority under RSA 374:4 to be kept informed of the Company's use of the financing independently and apart from any review under RSA 369:1. Pursuant to that authority, NEP shall keep the Commission informed about its debt issuances by promptly providing the Commission with any and all related filings provided to the FERC. The Company shall also notify the Commission of the decision rendered by the Massachusetts Department of Public Utilities within 10 days of issuance of any order in that proceeding by filing a copy of the decision in this docket.

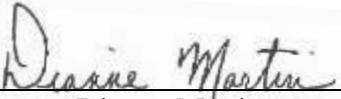
Based upon the foregoing, it is hereby

ORDERED, that New England Power Company's petition for approval to issue new long-term debt, not to exceed an aggregate principal amount of \$1.1 billion, from time to time during the period extending three years from the date of approval, is hereby **APPROVED** conditioned upon authorization of the issuance by the Massachusetts Department of Public Utilities in D.P.U. 20-62; and it is

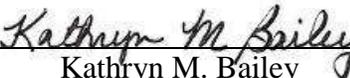
FURTHER ORDERED, that New England Power Company shall keep the Commission informed about its debt issuances by promptly providing the Commission with any and all related filings provided to the Massachusetts Department of Public Utilities in D.P.U. 20-62 and the Federal Energy Regulatory Commission; and it is

FURTHER ORDERED, that the requested waivers of N.H. Admin R., Puc 308.12(b) (7), (8) and (9) are hereby **GRANTED**.

By order of the Public Utilities Commission of New Hampshire, this thirty-first day of August, 2020.



Dianne Martin
Chairwoman

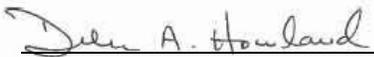


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director

Service List - Docket Related

Docket#: 20-096

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