

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 22-049**

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE D/B/A  
EVERSOURCE ENERGY**

**Petition for Approval of Financing Transaction**

**Order Approving Petition**

**ORDER NO. 26,746**

**December 14, 2022**

In this order, the Commission authorizes Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource or the Company) to borrow up to \$600 million in the form of bond issuances through December 31, 2023.

Eversource estimates that the rate impact of its proposed financing would be an increase of approximately 1.2 percent in base distribution rates, which are paid by all Eversource customers; the average Eversource customer using 600 kilowatt-hours would see a total bill increase of approximately 40 cents per month. See Hearing Exhibit 5.

The Company's petition and subsequent docket filings, other than 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/2022/22-049.html>

**I. EVERSOURCE'S PETITION**

On August 24, 2022, Eversource filed a petition pursuant to RSA Chapter 369 for authorization to issue long-term debt securities, through December 31, 2022, in an amount up to \$600 million in aggregate principal (Long-Term Debt Issuance), and to

mortgage Company property in connection with the Long-Term Debt Issuance. Hearing Exhibit 1.

With the petition, Eversource provided testimony and, as required by New Hampshire Code of Administrative Rules, Puc 308.12, also submitted Form F-4 information showing the impact of the proposed financing, with a description of its authorized and outstanding long-term debt, capital stock, and short-term debt. Eversource provided further technical details regarding the expected impact of its Long-Term Debt Issuance proposal in light of updated market conditions in supplemental testimony, with attachments, provided on October 11, 2022. Hearing Exhibit 2.

Eversource stated that it would use the proposed financing to: (1) refinance its short-term debt; (2) finance capital expenditures for the Company's distribution and transmission businesses; (3) pay at maturity the Company's \$325,000,000 3.50% First Mortgage Bonds, Series S, due November 1, 2023; and (4) fund working capital needs. Eversource attached to the petition its proposed 2022 construction budget, representing approximately \$134.6 million associated with capital improvements to its distribution system, and approximately \$273.3 million in capital improvements to its transmission system. According to Eversource, the purpose of the financing is in the public good and, therefore, the financing should be authorized under the statutory standards of RSA Chapter 369. Company Petition at 2-4.

To implement the financing, Eversource proposed to issue and sell up to \$600 million in aggregate principal amount of long-term debt in the form of first mortgage bonds during the period from the date of the Commission's order approving the financing through December 31, 2023. These bonds would have a fixed interest rate

and a maturity ranging from one to thirty years and be sold in the public market. Company Petition at 4.

The exact amount, maturity, terms and conditions, redemption provisions, and coupon rate of the Long-Term Debt Issuance would be determined at the time of issuance depending upon prevailing market conditions. The coupon would be consistent with market rates for an instrument of similar maturity and risk, but the credit spread above the then applicable fixed interest rate index would not exceed 400 basis-points (4.00%). *Id.*

On the basis of its updated figures provided on October 11, 2022, which reflected the recent trend of increased interest rates, the Company estimated the cost of the Long-Term Debt Issuance to be \$7.12 million which includes ratings fees and a projected underwriting fee of 0.875 percent. The Company calculated, on a pro forma basis, that it will issue new debt of \$178.58 million, refinance \$89.3 million in short-term debt, and refinance \$325 million in long-term debt. Eversource estimates that this will result in an increase in annual interest expense of approximately \$18.9 million for a total of \$75.8 million, as compared with its current total interest expense amount of \$56.9 million. The projected effect of the increase in interest expense results in a decrease to PSNH's retained earnings of \$9.83 million.

The Company's ratio of Funds From Operations (FFO) to debt is decreased from 22.3 percent to 21.4 percent. Eversource also projected that the proposed Long-Term Debt Issuance would not have a significant impact on the Company's current capital structure of 42.3 percent debt and 57.7 percent equity, resulting in a post-issuance capital structure of 43.4 percent debt and 56.6 percent equity. *See Attachments to DOE Technical Statement of Balise and Dudley, passim.*

## **II. DEPARTMENT OF ENERGY TECHNICAL STATEMENT**

On October 11, 2022, the Commission issued a procedural order requesting that the Department of Energy (DOE) file a recommendation for review regarding the Company's Long-Term Debt Issuance proposal. On October 28, 2022, the DOE filed a Technical Statement prepared by its Division of Regulatory Support personnel (Messrs. Scott T. Balise and Jay E. Dudley), recommending that the Commission approve the Eversource petition. Hearing Exhibit 3. The DOE opined that the Company's request represents a routine financing request. DOE Technical Statement of Balise and Dudley at Page 2. The DOE also stated that the Eversource Long-Term Debt Issuance proposal would not have a significant impact on the Company's capital structure, cost of debt, or revenue requirement. On this basis, the DOE supported the Company's position that Commission approval of the petition would be in the public good, and that it is in conformance with the review standards of RSA Chapter 369, and recommended that the Commission approve the Eversource financing by means of an Order *Nisi. Id.* at Pages 2-3.

## **III. MATTERS DISCUSSED AT HEARING**

On November 16, 2022, the Commission issued a procedural order scheduling a hearing regarding this Eversource proposal for November 29, 2022, to enable further review and exploration of the issues related to the Company's petition. The hearing was held as scheduled on November 29, 2022, where representatives of the Company and the DOE appeared. The Commission engaged in several lines of inquiry at the November 29 hearing. *See* Transcript of November 29, 2022 Hearing (Tr.) *passim*. The Company's witnesses, augmented by testimony provided by Mr. Jay Dudley of the DOE, gave an overview of current interest-rate conditions in the markets, and also

elaborated on the necessity and advantages of approving the Company's proposal for its own business operations and the interests of ratepayers. *Id.*

The Company indicated that its financing operations were geared to maintaining a capital structure and leverage level within the parameters called for by its most recent Commission distribution rate case approval and good business practice. Tr. at 10-14; 62-63. Furthermore, Eversource pointed out that the FFO level resulting from the financing proposal would be well within parameters viewed as beneficial by bond rating agencies and other market participants. Tr. at 43-45. Eversource stated that it was very engaged in its financial management with a goal of maintaining the Company's high investment-grade (A+) credit rating, which enables savings for customers through lower interest costs for debt issuances. Tr. at 37; *passim*. The Company also provided an elaboration of its short-term (less than one year maturity term) debt activities, wherein the Eversource parent company borrows cheaply in the commercial paper markets, and lends the proceeds to its subsidiary utilities, including the Company, to fund day-to-day business activities. Tr. 49-51. The Company stated that this practice also offers costs savings to the Company, and by extension, to Eversource ratepayers. *Id.*

The Company testified to the Commission that if market conditions dictated that its issuances would exceed a spread of 400 basis-points (4%) above the prime, or Treasury, fixed interest rate then prevailing, it would alert the Commission and seek further Commission approval for such issuances. Tr. at 35-36; 39-40. Eversource stated that this 400 basis-point spread was "similar" to what the Company asked for in past petitions, and reflected the current "very volatile" market conditions, in the context of global "geopolitical issues." Tr. at 17. The Company did state that it did not

anticipate that its financing would result in such a high basis spread, an analytical perspective shared by the DOE witness Mr. Dudley. Tr. at 17; 34-40.

Eversource also confirmed the financial figures presented in its petition and the DOE's Technical Statement to the Commission, and provided a response to a Commission Record Request regarding the expected rate impact of the financing proposal in a filing made on December 7, 2022. See Hearing Exhibit 5; see also Tr. at 26-32; 70-72. (These figures are presented in the opening paragraph of this Order). The DOE offered testimony in support of the Eversource petition at the November 29 hearing. Tr., *passim*.

#### **IV. COMMISSION ANALYSIS**

RSA 369:1 states that a utility “may, with the approval of the commission but not otherwise, issue and sell ... notes and other evidence of indebtedness payable more than 12 months after the date thereof for lawful corporate purposes.” The Commission must conduct a “hearing or investigation as it may deem proper,” then authorize the financing “if in its judgement the issue of such securities upon the terms proposes is consistent with the public good.” RSA 369:4. The Commission reviews the amount to be financed, the reasonableness of the terms and conditions of the proposed use of the proceeds, and the effect on utility 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. *Public Service Co. of N.H.*, Order No. 25,050 (December 8, 2009), at 13-14. 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.* at 13. 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.* at 16. The purposes of Eversource’s proposed financing, through the Long-Term Debt Issuance, is to refinance short-term debt, long-term debt, finance capital expenditures for its distribution and transmission businesses, and fund working capital needs.

We find Eversource’s request to be routine. The terms and conditions are reasonable and will enable investments in the ordinary course of utility operations. Because this request is routine, the Commission will conduct the 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.* Accordingly, we find Eversource’s intended use of the proposed financing proceeds, and the financing transaction itself, to be in the public good, pursuant to RSA 369:4. We note the support of the DOE in its Technical Statement for this Long-Term Debt Issuance by Eversource, and at the November 29 hearing, for these reasons.

In relation to the matter of the 400 basis-point “collar” for its issuance, above the applicable Treasury bond rate, requested by Eversource for this proposal, we note that in 2019 and 2013, Eversource sought, and received, a 300 basis-point (3%) spread authority from the Commission. *See* Docket No. DE 19-045, Order No. 26,240 (April 26, 2019), at 2; Docket No. DE 13-156, Order No. 25,577 (September 26, 2013), at 2. We recognize the current financial market volatility that may necessitate the higher 400 basis-point spread authority for this financing, but expect that for future financings, where market conditions will presumably revert to historical mean, the Company seek a 300 basis-point spread authority to avoid potentially burdensome financing costs for ratepayers.

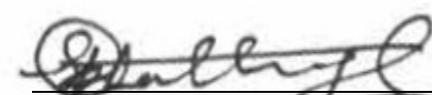
Our approval does not limit or preclude the Commission from reviewing in a future rate case or other proceeding, directly or indirectly, the prudence, use, and usefulness of any specific project funding with the financing proceeds. RSA 378:28. The Commission and the DOE also retain the authority under RSA 374:4 to be kept informed of the Company's use of the financing independently and apart from any review under RSA 378:28, and, as indicated by Eversource at the November 29 hearing, to be informed of through a subsequent petition or any changes in market conditions that would necessitate the Company's exceeding any of the parameters of its proposal as currently presented in its instant petition.

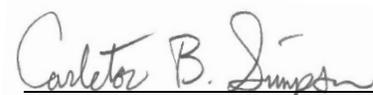
**Based upon the foregoing, it is hereby**

**ORDERED**, the request of Eversource for approval of its proposed financing transaction, specifically borrowing up to \$600 million through the issuance of long-term debt securities through December 31, 2023, as described herein, is hereby **GRANTED**, effective immediately.

By order of the Public Utilities Commission of New Hampshire this fourteenth day of December, 2022.

  
Daniel C. Goldner  
Chairman

  
Pradip K. Chattopadhyay  
Commissioner

  
Carleton B. Simpson  
Commissioner

# Service List - Docket Related

Docket#: 22-049

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Email Addresses

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ClerksOffice@puc.nh.gov  
Scott.T.Balise@energy.nh.gov  
jessica.chiavara@eversource.com  
Energy-Litigation@energy.nh.gov  
jay.e.dudley@energy.nh.gov  
thomas.c.frantz@energy.nh.gov  
elizabeth.r.nixon@energy.nh.gov  
amanda.o.noonan@energy.nh.gov  
ocalitigation@oca.nh.gov  
Matthew.C.Young@energy.nh.gov