

# STATE OF NEW HAMPSHIRE

## Inter-Department Communication

DATE: January 3, 2011

AT (OFFICE): NHPUC

**FROM:** *SEM* Steven E. Mullen, Assistant Director – Electric Division

**SUBJECT:** DE 10-299, Public Service Company of New Hampshire – Petition for Refinancing

**TO:** Commissioners  
Debra A. Howland, Executive Director



On November 12, 2010, Public Service Company of New Hampshire (PSNH) filed a petition seeking authority to issue long-term debt in the principal amount of up to \$214 million in securities through December 31, 2012, with the purposes of: refinancing certain outstanding long-term debt securities issued by PSNH; to mortgage its property in connection with the issuance of long-term debt; to enter into interest rate transactions to manage interest rate risk; and to terminate an insurance policy on certain refinanced securities. In addition, PSNH filed a Motion for Rule Waiver<sup>1</sup> seeking to be partially relieved of the requirement, pursuant to N.H. Admin. Rules Puc 308.12(c)(8)<sup>2</sup>, to include as part of its financing petition a copy of the proposed promissory note and mortgage governing documents.

As described in its financing petition, PSNH is exploring options in relation to issuing new debt to replace certain outstanding series of long-term bonds, and those options include the issuance of either taxable debt or tax-exempt debt. PSNH's requested waiver is not a request for a full waiver of Puc 308.12(c)(8). Rather, PSNH is requesting a partial waiver of the rule, specifically with regard to the provision of a draft Loan and Trust Agreement, which PSNH said is not currently available, for the issuance of tax-exempt debt. PSNH stated that its most likely financing option is the issuance of taxable debt and, if taxable debt is utilized, a draft Loan and Trust Agreement will not be prepared.<sup>3</sup>

<sup>1</sup> Although it was originally intended to be included in PSNH's November 12<sup>th</sup> filing, the motion was inadvertently omitted from that package and was subsequently filed with the Commission on November 29, 2010.

<sup>2</sup> Staff notes that while PSNH's motion correctly cited Puc 308.12(c)(8) in its introductory paragraph, the filing incorrectly references Puc 308.11(b)(2) in paragraph 6.

<sup>3</sup> Paragraph 2 of PSNH's motion contains the following sentence, "If the most likely refinancing option, issuance of taxable debt, is *not* utilized, a draft Loan and Trust Agreement will not be prepared" (emphasis added). Staff has confirmed with PSNH that the word "not" was mistakenly included in the sentence.

In lieu of filing the draft Loan and Trust Agreement, PSNH described the principal terms and conditions of potential tax-exempt financing in its petition and testimony and included a copy of its existing Loan and Trust Agreement pertaining to tax-exempt refinancing that was the subject of Docket No. DE 01-168. PSNH stated that

“...the final terms and conditions of any tax-exempt refinancing will be substantially similar to those of the current Loan and Trust Agreement, with rates and costs updated to reflect current market conditions.”  
(November 29, 2010 Motion at 1, paragraph 3)

In addition, PSNH expressed its view that

“[o]utlining the major terms and conditions of tax exempt financing in its petition and testimony and filing the principal terms and conditions of the current Loan and Trust Agreement will satisfy the principal purpose of the rule, which is to make the information available in a timely manner for review and consideration by the parties to the proceeding.” (Id. at 2, paragraph 5)

Staff has reviewed PSNH’s financing petition and testimony as well as the current Loan and Trust Agreement. In its testimony, PSNH provided indicative pricing, estimated issuance fees and an assessment of the break-even pricing associated with both taxable and tax-exempt bonds. The existing Loan and Trust Agreement, with attachments, is a document over 100 pages in length. Accepting on its face PSNH’s statement that the terms and conditions of any tax-exempt refinancing (in the event PSNH does go forward with tax-exempt bonds) will be substantially similar to those found in its existing Loan and Trust Agreement, coupled with the fact that PSNH stated that its most likely financing choice is taxable debt, Staff recommends that PSNH’s request for a partial waiver of the requirements of Puc 308.12(c)(8) be approved on a contingent basis. If PSNH later determines that it will likely pursue the issuance of tax-exempt debt, Staff recommends that PSNH be required to submit a draft Loan and Trust Agreement for such debt.

In relation to its review of PSNH’s petition as well as the requested waiver, Staff also makes the following observation: PSNH’s recent financing petitions – whether for new debt or to refinance existing debt – contain so many financing options varying in terms of structure, maturity, and other substantive details that the menu of options actually complicates the review of the petitions. For instance, in the current proceeding, although PSNH did not provide a draft Loan and Trust Agreement for tax-exempt financing, and PSNH actually notes that it is unlikely to use this category of financing, the time needed to review information related to tax-exempt financing (in order to prepare for the unlikely event that tax-exempt debt is issued) is burdensome, and is illustrative of the need for more specificity in PSNH’s financing filings, in contrast to PSNH’s reflexive requests for “flexibility.” While some degree of flexibility on the part of the

Commission in its review of these financing dockets can be warranted and even advisable, at some point the definition of “flexibility” is stretched to an extreme beyond usefulness. For future filings, Staff is of the opinion that if PSNH wishes to hold fast to its requests for “flexibility,” then it should be prepared to file draft governing documents covering all of its various “options.”

Please let me know if you have any questions or would like to discuss this further.

cc: Thomas Frantz  
Alexander Speidel  
Service List