

THE STATE OF NEW HAMPSHIRE

CHAIRMAN
Amy L. Ignatius

COMMISSIONERS
Robert R. Scott
Martin P. Honigberg

EXECUTIVE DIRECTOR
Debra A. Howland



PUBLIC UTILITIES COMMISSION
21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

TDD Access: Relay NH
1-800-735-2964

Tel. (603) 271-2431

FAX (603) 271-3878

Website:
www.puc.nh.gov

May 20, 2014

Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

NHPUC 20MAY14PM2:57

Re: DG 14-101 Northern Utilities, Inc.
Petition for Authority to Issue \$50,000,000 in Long Term Debt
Staff Recommendation for Approval

Dear Ms. Howland:

On April 14, 2014, Northern Utilities, Inc. (Northern or the Company) filed a petition pursuant to RSA chapter 369 for authority to issue securities. Northern proposes to issue and sell at par, by private sale, unsecured promissory notes not to exceed \$50,000,000. Northern's petition included the direct testimony of David Chong, Director of Finance and Assistant Treasurer for Unutil Service Corporation, which provides various professional and administrative services to Northern. Additional information related to the filing was provided in response to Staff data requests. After review of the filing and discovery, Staff recommends Commission approval of Northern's request by order *nisi*.

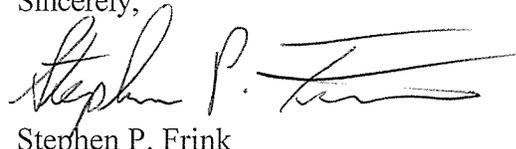
Northern is targeting to issue \$40,000,000, to be sold at par by private placement to institutional investors. Northern is targeting a mix of 10-year and 30-year issuances with fixed coupon rates not to exceed 6.5% and projected financing costs of \$505,000. Northern anticipates several investors participating in this offering and has requested approval of up to \$50,000,000 in new long-term debt. Setting the cap above the target offering will provide the Company the flexibility to accommodate multiple bids if favorably priced. For example, if Northern were to receive favorable pricing on investor bid offers for \$20,000,000 and \$25,000,000 the Company would be able to accept both bids at the proposed terms, terms which would be subject to change if the Company had to reduce the allocations to the investors to satisfy a \$40,000,000 limit.

The majority, if not all, of the proceeds of the debt issuance will be used to repay short-term debt, which had a balance of \$42,953,112 as of December 31, 2013. 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. Northern's capital spending since the last financing¹ has totaled \$114 million. If the proceeds from the debt issuance exceed the outstanding short-term debt, the excess funds can be expected to help fund Northern's 2014 projected capital spending of \$18 million or to be used for other lawful general corporate purposes.

Staff has thoroughly reviewed the financing as presented by Northern. The financing is routine in that the proposed use of funds is appropriate, the amount 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 debt-to-equity ratio of 55:45 compared to pro forma debt-to-equity ratio 56:44), and there will be no discernible impact on rates (pro forma capital structure and cost of debt results in a \$70,255 decrease in the projected revenue requirement for the Northern Step Adjustment effective May 1, 2015).² Staff thus supports Northern's financing request.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen P. Frink", with a horizontal line extending to the right.

Stephen P. Frink
Assistant Director, Gas & Water Division

cc: Liberty Utilities

¹ Financing approved by Commission Order 25,068 issued January 22, 2010 (Docket No. DG 09-239).

² May 1, 2015 Step Adjustment approved by Order 25,653 issued April 21, 2014 (Docket No. DG 13-086).

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

Executive.Director@puc.nh.gov

amanda.noonan@puc.nh.gov

epler@unitil.com

mark.naylor@puc.nh.gov

michael.sheehan@puc.nh.gov

ocalitigation@oca.nh.gov

steve.frink@puc.nh.gov

Docket #: 14-101-1 Printed: May 20, 2014

FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:
- DEBRA A HOWLAND
EXECUTIVE DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.