

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

New England Power Company

Docket No. ES16-49-000

ORDER AUTHORIZING ISSUANCES OF SECURITIES

(Issued October 7, 2016)

By letter order dated December 23, 2015 (December 23 Order) New England Power Company (New England Power) and other subsidiaries of National Grid USA were granted authorization to issue short-term debt in connection with external financing and internal financing. New England Power was authorized to issue such debt in an aggregate amount not to exceed \$750 million outstanding at any one time.<sup>1</sup>

On July 29, 2016, New England Power filed an application pursuant to section 204 of the Federal Power Act (FPA)<sup>2</sup> requesting authorization to issue short-term debt in connection with external and internal financings in an aggregate principal amount not to exceed \$1.5 billion outstanding at any one time. The external financing (External Short-Term Debt) consists of secured and unsecured commercial paper, notes issued to banks and other lenders, and other forms of unsecured third party debt. The internal financing (Internal Short-Term Debt) consists of notes, journal entries, other evidences of indebtedness, in exchange for cash or other financing received from affiliates. Such internal financing may take the form of either: (1) borrowings from the appropriate money pool,<sup>3</sup> or (2) borrowings from certain affiliates. New England Power also requests authorization to receive capital contributions from upstream direct and indirect parent companies and to receive non-interest bearing open account advances, both without limit.

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<sup>1</sup> *National Grid USA*, 149 FERC ¶ 62,213 (December 23, 2014).

<sup>2</sup> 16 U.S.C. § 824c (2012).

<sup>3</sup> FERC-regulated entities are required to file their cash management agreements with the Commission. The information provided is used to aid the Commission in monitoring cash management programs. The rule is not in the nature of a regulation governing participation in cash management programs. Therefore, this order does not address any request for authorization to participate in a cash management program. See *Regulation of Cash Management Practices*, 105 FERC ¶ 61,098 (2003).

The interest rate for External Short-Term Debt will not exceed the one-year U.S. Treasury Rate as referenced at [www.treasury.gov](http://www.treasury.gov), plus up to 100 basis points. Internal Short-Term Debt borrowings by New England Power from certain affiliates (other than downstream affiliates) will bear an interest rate set by the monthly average of the 30-day A2/P2 Commercial Paper rate as published by the Federal Reserve Board.

For Internal Short-Term Debt that takes the form of borrowings from the appropriate money pool the interest rate will be determined as follows: (1) If only internal funds comprise the daily balance of all loans outstanding during a calendar month, the interest rate applicable to such daily balance is the monthly average of the 30-day A2/P2 Commercial Paper rate as published by the Federal Reserve Board. (2) If only external funds comprise the daily outstanding balance of all loans outstanding during a calendar month, the interest rate applicable to such daily outstanding balance is the money pool lender's cost for such external funds or, if more than one money pool participant has made available external funds at any time during the month, the applicable interest rate shall be a composite rate, equal to the weighted average of cost incurred by the respective participant for such external funds. (3) In cases where the daily outstanding balances of all loans outstanding at any time during the month include both internal and external funds, the interest rate applicable to the daily outstanding balances for the month is equal to the weighted average of (i) the cost of all internal funds contributed by the money pool participants, and (ii) the cost of all such external funds.

This filing was noticed on August 1, 2016, with comments, protests, or interventions due on or before August 19, 2016. None were filed.

### **Authorization**

On February 21, 2003, the Commission issued an order announcing four restrictions on all future public utility issuances of secured and unsecured debt.<sup>4</sup> First, public utilities seeking authorization to issue debt backed by a utility asset must use the proceeds of the debt for utility purposes. Second, if any utility assets that secure debt issuances are divested, the debt must follow the asset and also be divested. Third, if any of the proceeds from unsecured debt are used for non-utility purposes, the debt must follow the non-utility assets. Specifically, if the non-utility assets are divested, then a proportionate share of the debt must follow the divested non-utility asset. Finally, if

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<sup>4</sup> *Westar Energy, Inc.*, 102 FERC ¶ 61,186, *order on reh'g*, 104 FERC ¶ 61,018 (2003) (*Westar*).

utility assets financed by unsecured debt are divested to another entity, then a proportionate share of the debt must also be divested.

On May 26, 2006, the Commission issued an order addressing issuances of securities or assumptions of obligations or liabilities by public utilities in connection with open account advances from affiliated companies. The Commission found that, when such issuances did occur, to ensure that they were consistent with the requirements of section 204: (1) an authorized officer of the public utility must certify, within 30 days of the date of the advance, that, at the time of the advance, repayment of the funds advanced will not impair the ability of the public utility to perform as a public utility and (2) an authorized officer of the public utility must certify, within 30 days of the date of the advance, the intended use or uses of the funds advanced. These certifications are to be retained in company files, and provided to the Commission or its staff upon request, for five years from the date the transaction is completed.<sup>5</sup>

New England Power is authorized to issue External Short-Term Debt and Internal Short-Term Debt subject to the interest rates described above. New England Power is authorized to receive capital contributions and non-interest bearing open account advances from direct or indirect parent companies without limit. New England Power satisfies the two times interest coverage ratio; therefore, it can be reasonably expected that the proposed issuance of securities will not impair its ability to perform service as a public utility.

This authorization is approved based upon the terms and conditions and for the purposes specified in the application subject to the following conditions:

- (1) This authorization is effective from October 15, 2016 through October 14, 2018.
- (2) This letter order supersedes the December 23 Order as the December 23 Order pertains to New England Power. The terms of the December 23 Order remain effective as to the other public utilities addressed in that order.
- (3) The securities are subject to the Commission's restrictions on secured and unsecured debt as outlined above and in *Westar*.
- (4) This authorization is without prejudice to the authority of the Commission or any other regulatory body with respect to rates, service, accounts, valuation,

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<sup>5</sup> *National Grid USA*, 115 FERC ¶ 61,241 (2006) (*National Grid*).

estimates or determination of cost or any other matter whatsoever now pending or which may come before this Commission.

- (5) Nothing in this letter order shall be construed to imply any guarantee or obligation on the part of the United States with respect to any security to which this letter order relates.

This action is taken pursuant to the authority delegated to the Director, Division of Electric Power Regulation – West, under 18 C.F.R. § 375.307 (2016). This order constitutes final agency action. Requests for rehearing by the Commission may be filed within thirty (30) days of the date of issuance of this order, pursuant to 18 C.F.R. § 385.713 (2016).

Steve P. Rodgers, Director  
Division of Electric Power  
Regulation - West