

DG 01-093

NORTHERN UTILITIES, INC.

Petition for Authority to Issue Securities

Order Nisi Authorizing Issuance of a \$60 Million
Unsecured 2-year Promissory Note

O R D E R N O. 23,700

May 10, 2001

Northern Utilities, Inc. (Northern), a public utility organized and existing under the laws of the State of New Hampshire and primarily engaged in the business of distributing natural gas in certain cities and towns in New Hampshire and Maine, filed with the New Hampshire Public Utilities Commission (Commission) a Petition for Authority to Issue a \$60,000,000 Unsecured 2-Year Promissory Note to its affiliate, NiSource Finance Corporation. Northern requests authority, pursuant to RSA 369:1, 3, and 4, to issue and sell the proposed long-term notes.

The proceeds will be used to repay Northern's outstanding short-term debt of approximately \$26 million, refinance long-term debt of \$25 million set to expire on June 15, 2001, and fund future capital expenditures or gas supply.

On February 23, 2001, the Commission, by Order No. 23,641 (Docket DG 01-019), approved Northern's Petition for Authority to Extend the Term of its Revolving Credit Agreement

for an interim period, pending Northern's completion of its plans for long-term financing. On March 16, 2001, the Commission, by Order No. 23,653 (Docket DG 00-283), approved Northern's Petition for Authority to Issue Short-Term Debt, on an Interim Basis, in an Amount Not to Exceed \$30,000,000, pending Northern's completion of its plans for long-term financing. Northern has determined that the proposed note issued to NiSource Finance Corporation would be the most cost-effective and timely method of refinancing the outstanding balance of the Revolving Credit Agreement and Short-Term Debt.

The interest rate on the note is 5.75% and is the rate that NiSource Finance Corporation received on its recent external financing. The rate corresponds with rates currently being offered companies with a financial profile similar to Northern. The transaction costs related to the issuance of the note are anticipated to be \$5,000 in legal expenses.

In response to Commission Staff discovery requests, Northern indicated that its weighted cost of capital of 9.68% would be lowered to 9.37% as a result of the proposed refinancing. A reduction in the cost of capital would directly benefit Northern's ratepayers in a general rate case.

Northern's current capital structure of 60.7% equity and 39.3% debt would also change by the proposed financing, as

Northern's capitalization following the refinancing would be 57.9% equity and 42.1% debt. The capital structure based on the proposed financing thus moves closer to the 55.9% equity and 44.1% debt approved in Northern's last general rate case, Northern Utilities, Inc., 77 NH PUC 366 (1992). The lower equity rating should also reduce revenue requirements all other things being equal.

Northern's filing included a certification, pursuant to NH Admin. Rules Puc 509.04(d), that Northern believes that the security to be issued will be consistent with the public good and that it is entitled to issue said securities under RSA 369:1 for the purposes set forth in its petition.

The Commission has reviewed Northern's filing in this proceeding and finds, pursuant to RSA 369:4, that approval of the petition is consistent with the public good. Based upon our review and investigation of the terms of the note, the purpose of the financing and the potential benefits to ratepayers.

Based upon the foregoing, it is hereby

ORDERED NISI, that Northern Utilities, Inc.'s Petition for Authority to Issue a \$60 Million Unsecured Two-Year Term Promissory Note and sell at face value to its affiliate NiSource Finance Corporation is APPROVED; and it is

FURTHER ORDERED, that the proceeds be used to pay the related issuance costs, retire outstanding short-term debt, refinance the outstanding Revolving Credit Agreement balance of \$25,000,000 and fund future capital expenditures or gas supply; and it is

FURTHER ORDERED, that on or before January 1st and July 1st of each year, Northern shall file with the Commission a detailed statement, duly sworn to by its Treasurer, showing the disposition of proceeds of the Promissory Note until the whole of said proceeds has been fully accounted for; and it is

FURTHER ORDERED, that Northern, within 10 days of the closing, shall submit a copy of the signed Promissory Note; and it is

FURTHER ORDERED, that Northern shall cause a copy of this Order Nisi to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than May 16, 2001 and to be documented by affidavit filed with this office on or before June 1, 2001; and it is

FURTHER ORDERED, that all persons interested in responding to this petition be notified that they may submit their comments or file a written request for a hearing on this

matter before the Commission no later than June 6, 2001;
and it is

FURTHER ORDERED, that any party interested in
responding to such comments or request for hearing shall do so
no later than June 8, 2001; and it is

FURTHER ORDERED, that this Order Nisi shall be
effective June 11, 2001, unless the Commission provides
otherwise in a supplemental order issued prior to the
effective date.

By order of the Public Utilities Commission of New
Hampshire this tenth day of May, 2001.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary