

DT 04-028

VERIZON NEW ENGLAND, INC.

Petition for Authority to Issue Long-Term Debt Securities

Order Nisi Approving the Issuance of Securities

ORDER NO. 24,365

August 26, 2004

I. COMPANY PETITION

On July 28, 2004, Verizon New England Inc. (Verizon New England or Company), filed a petition with the New Hampshire Public Utilities Commission (Commission) pursuant to RSA 369:3, seeking authorization to issue up to \$2 billion in long-term debt securities (New Debt) through December 31, 2008.

Verizon New England intends to issue New Debt at times and in increments as appropriate given the market conditions and other factors. The Company proposes to issue New Debt at prevailing market interest rates, which will be offered to the public through underwriters or on a private placement basis, with either affiliated entities or non-affiliated entities. Verizon New England projects that the average rate on New Debt will be 6.25% and estimates that the costs associated with issuance and sale of New Debt will be \$18,262,250.

The Company states that the proceeds from the New Debt will be for the following purposes:

1. The Company proposes to reduce the Company's short-term debt level, as favorable market conditions warrant, in order to remain compliant with Puc 406.04, which requires the Company to maintain short-term debt at 10% or less of the net depreciated value of its plant. As of March 31, 2004, the Company's short-term debt consisted of \$207.9 million in notes

payable and \$100 thousand in current maturities of long-term debt. The debt is payable to Verizon Network Funding Corp.

2. The Company proposes to refinance \$125 million of long-term debt issues maturing during the period January 1, 2004 to December 31, 2008. The effective cost rate on the maturing issues is 7.65%.
3. The Company proposes to refund high coupon debt, if warranted by favorable market conditions. The Company has \$950 million of callable long-term debt with maturity dates later than December 31, 2008. The Company's election to refund an issue will be conditioned on a net present value analysis on the after-tax cash flows related to the transaction. The Company states that it will only refund an issue if the cash flow calculation yields a positive net present value. The effective annual rate on the existing callable debt is 5.69%. The after-tax call premium for retiring all the issues is projected to be \$4.1 million, which is 60% of the pretax call premium amount.
4. The Company proposes to apply proceeds from the New Debt to fund the Company's construction program. The Company has committed to capital spending at a specific level in each calendar year, from 2004 through 2008. Of this amount, the Company has identified a specific level of spending for New Hampshire in each of these years. Information provided in the filing indicated that for the twelve months ended December 31, 2003, 76% of the Company's capital expenditures were in the areas of central office equipment and cable and wire facilities.

In accordance with Puc Rule 407.08(d), Verizon New England provided an affidavit which states that the “company believes and, therefore, alleges that the securities to be issued will be consistent with the public good and that it is entitled to issue those securities under RSA 369 for the purposes set forth in the petition.”

II. COMMISSION ANALYSIS

We have reviewed Verizon New England’s request for authorization to issue up to \$2 billion in securities for the purpose of retiring short-term debt, refinancing more high-cost debt and obtaining funding for capital requirements for calendar years 2004 through 2008. Analysis of the filing reveals that the financing would provide approximately \$51 million in interest savings. In addition, the Company has provided a financial plan that provides funding for Verizon New England’s annual capital plan and positions the Company to reduce its short-term debt and refinance high coupon debt as market conditions warrant. We are satisfied, therefore, that granting authorization for Verizon New England to issue up to \$2 billion in securities, for the reasons stated in its petition, is consistent with the public good. However, approval of this financing should not be construed as a determination that the proposed capital spending is at the optimal level or that the level of investment is sufficient to meet the needs of Verizon’s New Hampshire customers.

Based upon the foregoing, it is hereby

ORDERED NISI, that subject to the effective date below, Verizon New England is hereby authorized, pursuant to RSA 369, to issue up to \$2 billion in long-term debt securities through December 31, 2008; and it is

FURTHER ORDERED, that the Company is authorized to recover, as a part of any new financing, the reasonable costs of the associated transactions; and it is

FURTHER ORDERED, that the proceeds from the sale of said securities be used solely for the purposes described in this Order; and it is

FURTHER ORDERED, that on January 1, and July 1 of each year, the Company shall file with the Commission a detailed statement, duly sworn by its Treasurer, showing the disposition of the proceeds of its financing activities, until the whole of such proceeds have been fully accounted for; and it is

FURTHER ORDERED, that the Petitioner 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 September 6, 2004 and to be documented by affidavit filed with this office on or before September 20, 2004; 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 September 13, 2004; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than September 20, 2004; and it is

FURTHER ORDERED, that this Order Nisi shall be effective September 27, 2004, unless the Petitioner fails to satisfy the publication obligation set forth above or 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 twenty-sixth
day of August, 2004.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Attested by:

Lori A. Normand
Assistant Secretary