

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 07-070**

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE**

**Long-term Debt Securities and Short-term Debt Limit Proceeding**

**Order on Motion to Amend Order Nos. 24,781 and 24,821**

**ORDER NO. 24,845**

**April 14, 2008**

**APPEARANCES:** Catherine E. Shively, Esq. on behalf of Public Service Company of New Hampshire and Suzanne G. Amidon, Esq. on behalf of the Commission Staff.

**I. PROCEDURAL HISTORY**

On March 21, 2008, Public Service Company of New Hampshire, (PSNH) filed a motion to further amend the finance order originally issued in this docket, *see* Order No. 24,781 (August 3, 2007), and subsequently modified, *see* Order No. 24,821 (January 30, 2008). The pending motion seeks authority for an additional increase in the permissible credit spreads over U.S. Treasury rates beyond the increase approved in the January 2008 order.

In Order No. 24,781, the Commission authorized PSNH to issue long-term debt securities with an aggregate principal amount of up to \$200 million through December 31, 2008 to allow repayment of short-term debt and fund PSNH's working capital needs. The Commission allowed flexibility regarding the debt's term to maturity, although the coupon rate of such debt was required to be consistent with market rates for instruments of similar maturity and risk, with the credit spread above the comparable Treasury rate not to exceed 200 basis points (2.00 percent).

On December 13, 2007, PSNH filed a motion to amend Order No. 24,781 by increasing the authorized credit spread to 300 basis points (3.00 percent). The Commission issued Order No. 24,821 granting the PSNH motion on January 30, 2008.

In the pending motion, PSNH seeks authority to raise the credit spread as high as 400 basis points, or 4.00 percent. With its motion, PSNH filed the supporting testimony of Patricia C. Cosgel, assistant treasurer of PSNH and its parent company, Northeast Utilities. A supplemental order of notice was issued on March 26, 2008, scheduling a hearing for April 9, 2008. The hearing took place as scheduled.

## **II. POSITIONS OF THE PARTIES AND STAFF**

### **A. Public Service Company of New Hampshire**

PSNH stated that the fixed income markets continued to experience extreme volatility and deterioration during the first quarter of 2008, driven primarily by the ongoing impacts of the sub-prime mortgage credit and liquidity crisis that has weakened the financial sector. The Company explained that this volatility led to significant credit tightening in all market sectors, and even wider credit spreads than had been anticipated when PSNH moved to amend the financing order in December 2007. According to PSNH, credit spreads rose moderately in February and then increased significantly in March.

PSNH provided information demonstrating that transactions of less than \$250 million, such as PSNH's currently proposed \$110 million issuance, could require a minimum 15 to 25 basis points premium for 10-year and 30-year long-term debt issuances. PSNH reported that if the upward trend in credit spreads continued and exceeded its current maximum authorization of 300 basis points, PSNH would not be able to access the market for its planned issuance of long term debt.

PSNH's witness testified that in December 2007 the utility entered into an interest rate swap with a counterparty to hedge its \$110 million fixed rate long-term debt issuance planned for this year. According to PSNH, the benchmark 10-year treasury rate was fixed at 3.866 percent and is locked until May 23, 2008. Using that rate along with the current spread on a 10-year bond, PSNH reported, would result in a proposed coupon rate of 6.466 percent. PSNH indicated that the actual coupon rate would be based on the spread at the time of issuance. At hearing, PSNH clarified that the hedge did not lock in a 10-year bond; rather, it locked in ten years of cash flows. Although PSNH could issue a bond with a maturity period longer than a decade, ten years still seemed to be the most likely maturity, according to the hearing testimony.

According to PSNH, the requested maximum credit spread of 400 basis points is higher than current market spreads, but allows for any additional widening of credit spreads between the hearing and the point at which the securities are actually issued. Finally, PSNH indicated that it is not requesting or proposing any other changes to Order No. 24,781 or Order No. 24,821.

#### **B. Commission Staff**

Commission Staff stated that it had conducted discovery and recommended that, based on its review of PSNH's motion and the response to discovery, the Commission approve the motion.

### **III. COMMISSION ANALYSIS**

PSNH's motion to amend the financing order comes less than two months after we issued Order No. 24,821 – a reflection of the volatility that persists – and arguably has worsened – in the financial markets. However, based on the record before us, we find that PSNH's request for an increase in the credit spread is reasonable in light of current market conditions and will provide PSNH with appropriate flexibility at the time it enters the capital markets. Therefore, pursuant to RSA 369:1, it is for the public good to grant PSNH's request to amend the previous

orders in this docket to increase the authorized credit spread over the applicable Treasury rates to no more than 400 basis points (4.00 percent). In so doing, we emphasize that 400 basis points is the upper limit. We expect PSNH to pursue the most favorable arrangement when it issues securities.

**Based upon the foregoing, it is hereby**

**ORDERED**, that the motion of Public Service Company of New Hampshire to amend Order No. 24,781 (August 3, 2007) and Order No. 24,821 (January 30, 2008) to permit a credit spread over comparable Treasury rates not to exceed 400 basis points is hereby **GRANTED**.

By order of the Public Utilities Commission of New Hampshire this fourteenth day of April, 2008.

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Thomas B. Getz  
Chairman

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Graham J. Morrison  
Commissioner

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Clifton C. Below  
Commissioner

Attested by:

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ChristiAne G. Mason  
Assistant Executive Director & Secretary