

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 16-844

NEW ENGLAND POWER COMPANY

Petition for Authority to Issue Long-Term Debt

Order Approving Petition for Authority to Issue up to \$800 Million of Long-Term Debt

ORDER NO. 25,989

February 16, 2017

In this order, the Commission grants New England Power Company authority to issue up to \$800 million of long-term debt securities over a three-year period. The Commission finds that the debt is consistent with the public good and approves the Petition as proposed.

I. BACKGROUND

On November 3, 2016, pursuant to RSA 369:1, New England Power Company d/b/a National Grid (“NEP” or “the Company”) filed a Petition for Authority to Issue Long Term Debt Securities (“Petition”). NEP’s filing included testimony, information required by Puc Form F-4, Authority to Issue Securities, and a request for waivers of N.H. Code Admin. Rules Puc 308.12(b) (7), (8), and (9). On December 28, 2016, Staff requested additional information regarding the interest rates described in the Petition and the requested waivers. NEP provided a response on January 5, 2017. On January 25, 2017, Staff issued a memorandum to the Commission recommending approval of the Petition and the requested waivers. The Petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission’s website at <http://www.puc.nh.gov/Regulatory/Docketbk/2016/16-844.html>.

A. New England Power Company

In its Petition, NEP states that it seeks authority to take on new long-term debt not to exceed an aggregate principal amount of \$800 million for a period of three years beginning on the date of the Commission's approval, plus an option for a two-year extension. The Company states that it will use the proceeds for one or more of the following purposes: refinancing short-term debt, financing NEP's capital needs, construction of utility plant and properties, reimbursing the treasury, funding maturing debt, and other general corporate purposes including restructuring NEP's capitalization. The Company also requests authorization to choose the type of debt to issue, which may include medium-term and long-term notes, bonds, debentures, revolving credit loans, and bank loans. According to the Petition, the terms to maturity will be no shorter than one year and no longer than thirty years. Further, NEP states that it seeks flexibility to issue the debt internally to affiliates; or to third parties in either public offerings or private placements, with or without investment bankers. NEP also requests that it be permitted to issue debt that is taxable or tax-exempt and with an interest rate that could be fixed or adjustable. The Company stated that, based on recent historic rates, it is reasonable to assume that the maximum interest rate for a bond with a thirty-year term will be seven percent. Finally, NEP seeks authority to execute the required loan documents.

NEP's Petition contained a list of its debt obligations, which includes long-term debt maturing on March 1, 2018, and November 1, 2020, in the amounts of \$79.3 million and \$186.5 million, respectively; and short-term debt in the amount of \$568.8 million, which total \$834.5 million in debt obligations scheduled to mature within four years.

Pursuant to the requirements of Puc 308.12(b), NEP filed the following schedules: estimated cost of financing showing the expenses and costs of issuing the new debt (Petition at

Exhibit CVD-5), a statement of cash flows for the twelve months ended March 31, 2016 (Petition at Exhibit CVD-7), a balance sheet as of March 31, 2016 (Petition at Exhibit CVD-8), an income statement for the twelve months ending March 31, 2016 (Petition at Exhibit CVD-9), a statement of capitalization ratios (Petition at Exhibit CVD-10), a schedule showing the current and proforma weighted average cost of debt (Petition at Exhibit CVD-11), a written consent by NEP's Board of Directors authorizing the Petition (Petition at CVD-4), and an affidavit certifying that NEP believes and alleges that the long-term debt securities to be issued will be consistent with the public good (Petition at CVD-12). The Company also filed a "Net Plant Test" schedule which shows that as of March 31, 2016, after excluding goodwill, plant held for future use, and construction work in progress, NEP's net plant balance exceeded its total capitalization by approximately \$988 million. Petition at 4 and Exhibit CVD-2.

NEP requests waivers from the requirements of Puc 308.12(b) (7), (8) and (9) on the grounds that they are not applicable to the circumstances at hand. Those rules require a utility to file the following documents when seeking authority to issue securities: a copy of the private placement memorandum for long term financing including any letter of commitment from a lender stating details of financing; a copy of the proposed promissory note and mortgage; and a copy of terms of new common or preferred stock. According to NEP, the debt related documents are not yet available because the debt issuances are planned over several years and stock related documents do not apply to the proposed debt issuance.

NEP seeks authority to issue the new debt securities from time to time over a three-year period from the date of approval, with an option for a two-year extension provided that NEP continues to maintain sufficient net plant against which to issue the debt securities and the purpose of the issuances continues to serve a legitimate utility purpose. Petition at 1.

B. Staff

Staff recommends approval of the requested financing plan and the requested waivers from Puc Rule 308.12(b) (7), (8) and (9). Staff's Memorandum states:

Staff has reviewed the Company's petition and believes that, if the Commission were to grant the requested waivers, NEP's filing is complete and meets all requirements of Puc 308.12. It is Staff's opinion that, based on the total debt the Company reports is coming due within four years, \$834.5 million, the amount of long-term debt NEP has requested authorization to issue, \$800 million, is appropriate, because when combined with internally generated cash, the funds from newly issued debt should be sufficient to refinance debt maturing within four years. In regards to NEP's request for an option for a two year extension, Staff considers this a reasonable request, because a financing period extended from three years to five provides the Company with greater flexibility for timing its funding needs. Staff also maintains that the Company's requirement for continued authorization to issue debt during the period, "that it continues to maintain a sufficient balance of total capitalizable plant against which to issue the debt securities, and the purpose of the issuances continues to serve a legitimate utility purpose," are also reasonable.

Staff Memorandum at 2.

II. COMMISSION ANALYSIS

RSA 369:1 states a "public utility lawfully engaged in business in this state may, with the approval of the commission but not otherwise, issue and sell its stock, bonds, notes and other evidences of indebtedness payable more than 12 months after the date thereof for lawful corporate purposes. The proposed issue and sale of securities will be approved by the commission where it finds that the same is consistent with the public good." RSA 369:1.

The Commission reviews the amount to be financed, the reasonableness of the terms and conditions, the proposed use of the proceeds, and the effect on rates. *Appeal of Easton*, 125 N.H. 205, 211 (1984); *see* RSA 369:4 (finding of public good required for approval of long-term public utility debt). The rigor of an *Easton* inquiry varies depending on the circumstances of the request. As we have previously noted, "certain financing related circumstances are

routine, calling for more limited Commission review of the purposes and impacts of the financing, while other requests may be at the opposite end of the spectrum, calling for vastly greater exploration of the intended uses and impacts of the proposed financing.” *Public Service Co. of N.H.*, Order No. 25,050 at 14 (December 8, 2009).

In this proceeding, NEP requests that its petition be treated as a routine financing because NEP is regulated by the Federal Energy Regulatory Commission (“FERC”), and the financing only affects elements of retail rates that are not subject to the Commission’s jurisdiction. *See* Petition at 5-6. We agree. NEP’s financing costs are approved by FERC for inclusion in transmission rates, which are paid for by energy suppliers and ultimately passed on to retail ratepayers when the power is delivered to those end users. We conduct an abbreviated review because NEP’s transmission rates will be reviewed by the FERC, the agency with exclusive jurisdiction over regional transmission rates.

Under that standard, NEP’s request has merit. The loans are proposed largely for the purpose of re-financing existing short- and long-term debt and are supported by a sufficient balance of net plant. The Commission finds that granting the Petition is consistent with the public good.

We also agree with NEP that Puc 308.12(b) (7), (8), and (9), which require the submission of specific documents related to debt and equity financings, are inapplicable to this petition. No debt related documents are available at this time because the debt will be issued over a period of several years and no stock will be issued pursuant to the petition. Accordingly, under Puc 201.05(b) (1), which allows for waiving inapplicable requirements, we grant the requested waivers.

Based upon the foregoing, it is hereby

ORDERED, that the Petition by NEP for approval to issue new long-term debt not to exceed an aggregate principal amount of \$800 million from time to time during the period extending three years from the date of approval is hereby granted; and it is

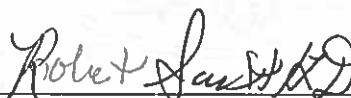
FURTHER ORDERED, that NEP's request for an option to extend this three-year period by an additional two-year period, under the condition that NEP continues to maintain a sufficient balance of total plant capitalization against which to issue the long-term debt and the purpose of the issuances continues to serve a legitimate utility purpose, is hereby granted, provided that NEP file written notice with the Commission demonstrating that the conditions have been satisfied when it has exercised such option. Said notice and demonstration must be filed within 30 days of NEP exercising such option; and it is

FURTHER ORDERED, that the requested waivers of Puc Rule 308.12(b) (7), (8), and (9) are hereby granted.

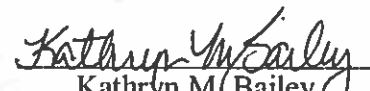
By order of the Public Utilities Commission of New Hampshire this sixteenth day of February, 2017.



 Martin P. Honigberg
 Chairman




 Robert R. Scott
 Commissioner



 Kathryn M. Bailey
 Commissioner

Attested by:



 Debra A. Howland
 Executive Director