

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 20-072

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
d/b/a EVERSOURCE ENERGY**

Petition for Approval of Financing Transaction

Order *Nisi* Approving Financing Transaction

O R D E R N O. 26,390

July 31, 2020

In this order, the Commission authorizes Public Service Company of New Hampshire d/b/a Eversource Energy to borrow up to \$200 million through bond issuances through December 31, 2020. This order is issued on a *nisi* basis to ensure that interested persons receive notice and have the opportunity to comment or request a hearing before the order becomes effective.

The petition and subsequent docket filings, other than information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at <https://www.puc.nh.gov/Regulatory/Docketbk/2020/20-072.html>.

I. EVERSOURCE'S PETITION

On May 18, 2020, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource) filed a petition pursuant to RSA 369:1 for authorization to issue long-term debt securities, through December 31, 2020, in an amount up to \$200 million in aggregate principal, and to mortgage property in connection with the issuance of long-term debt securities and first mortgage bonds.

With its petition, Eversource provided testimony and, as required by N.H. Admin. R., Puc 308.12, also submitted Form F-4 information showing the impact of the proposed financing, with a description of its authorized and outstanding long-term debt, capital stock, and short-term debt.

Eversource stated that it would use the proposed financing to: (1) refinance its short-term debt; (2) finance capital expenditures for its distribution and transmission businesses; and (3) fund working capital needs. Eversource attached to the petition its proposed 2020 construction budget, representing approximately \$345 million associated with capital improvements to its distribution and transmission systems. According to Eversource, the purpose of the financing is in the public good and, therefore, the financing transaction should be authorized under RSA 369:1.

To implement the financing, Eversource proposed to issue and sell up to \$200 million in aggregate principal amount of long-term debt in the form of first mortgage bonds during the period from the date of the Commission's order approving the financing through December 31, 2020, with a fixed interest rate and a maturity ranging from one to thirty years. Approximately \$84.7 million of the proposed debt securities issuance would refinance existing debt and approximately \$113.42 (less \$1.88 million in estimated issuance costs) would represent new indebtedness.

To achieve favorable financing terms, Eversource requested flexibility in the debt issuance, with authority granted to use either the public or private debt markets, with the following proposed parameters: (1) the aggregate principal amount of long-term debt issued during the authorization period will not exceed \$200 million; (2) the long-term debt will be in the

form of first mortgage secured bonds; (3) debt maturity will range from one to thirty years; and (4) the bond coupon rate will be consistent with market rates for an instrument of similar maturity and risk at the time of the issuance, limited to a credit spread of no more than 400 basis points (i.e., 4 percent) above the then applicable U.S. Treasury Bond rate.

Eversource proposed to price the bonds at a fixed rate to be determined at the time of the closing, based on either the 10- or 30-year U.S. Treasury Bond rate plus the proposed credit spread. According to Eversource, a four percent credit spread would provide it with sufficient flexibility to address potentially changing market conditions and volatile capital markets. As a result, the exact financing structure, terms and conditions, amount, documentation, and coupon rate of the long-term debt will be determined at the time of issuance, depending upon prevailing market conditions.

Eversource calculated, on a pro forma basis, that the new debt of \$113.42 million, plus the refinancing of the current \$84.7 million in short-term debt, as of March 31, 2020, would result in an increase in annual interest expense by approximately \$1.5 million, for a total interest expense amount of \$62.3 million as compared to its current total interest expense of \$60.8 million. The combined effect of the debt issuance fee and the increase in interest expense would result in a reduction in retained earnings of approximately \$1 million.

Eversource projected that the proposed financing would not have a significant impact on the Company's current capital structure of 44 percent debt and 56 percent equity. After the financing, the capital structure would be 45 percent debt and 55 percent equity. According to Eversource, it expects to maintain a post-issuance equity ratio of 55 percent through additional earnings and capital contributions from Eversource Energy in 2020.

Eversource requested that the Commission authorize it to borrow up to \$200 million through the issuance of the long-term debt securities. In addition, the Company asked the Commission for authority to mortgage its property in connection with the issuance of the bonds. Eversource requested that the Commission find that the transaction is consistent with the public good and is therefore authorized and approved under the provisions of RSA 369.

II. POSITIONS OF STAFF AND THE OCA

Commission Staff (Staff) filed a memorandum on July 27, 2020, which summarized its review of Eversource's petition as a routine financing and recommended that the Commission approve Eversource's proposed financing transaction. Staff noted that the new indebtedness would have only a modest impact on Eversource's cost of debt and associated revenue requirements. Staff concluded that approval of the petition would be in the public good and that it would conform with the standards of RSA Chapter 369. Staff indicated that it would support the issuance of an order *nisi* for the approval of the petition.

The Office of the Consumer Advocate (OCA) filed a letter of participation pursuant to RSA 363:28 on May 26, 2020. According to a memorandum filed by Staff on July 29, 2020, the OCA has confirmed that it concurs with Staff's recommendation to approve Eversource's proposed financing transaction.

III. COMMISSION ANALYSIS

RSA 369:1 states that a utility "may, with the approval of the commission but not otherwise, issue and sell ... notes and other evidence of indebtedness payable more than 12 months after the date thereof for lawful corporate purposes." The Commission must conduct a "hearing or investigation as it may deem proper," then authorize the financing "if in its

judgment the issue of such securities upon the terms proposed is consistent with the public good.” RSA 369:4. The Commission reviews the amount to be financed, the reasonableness of the terms and conditions of the proposed use of the proceeds, and the effect on utility rates. *Appeal of Easton*, 125 N.H. 205, 211 (1984).

The rigor of an *Easton* inquiry varies depending on the circumstances of the request. We engage in a more limited review for routine financing requests. *Public Service Co. of N.H.*, Order No. 25,050 at 13-14 (December 8, 2009). A routine request is one that will have no discernible impact on rates or deleterious effect on capitalization, and in which the funds are to enable numerous investments appropriate in the ordinary course of utility operations. *Id.* at 13. A routine request calls for a more limited examination of whether the “use of financing proceeds [is] in the public good without further review of possible alternative uses of the funds.” *Id.* at 16.

The purpose of Eversource’s proposed financing is to refinance its short-term debt, finance capital expenditures for its distribution and transmission businesses, and fund working capital needs.

We find Eversource’s request to be routine. The terms and conditions are reasonable, will not have a discernible impact on rates, and will enable investments in the ordinary course of utility operations. Because the request is routine, the Commission will conduct the more limited examination of whether the “use of financing proceeds [is] in the public good without further review of possible alternative uses of the funds.” *Id.* Accordingly, we find Eversource’s intended use of the proposed financing proceeds, and the financing transaction itself, to be in the public good, pursuant to RSA 369:4.

Our approval does not limit or preclude the Commission from reviewing in a future rate case, directly or indirectly, the prudence, use, and usefulness of any specific project funded with the financing proceeds. RSA 378:28. The Commission and Staff also retain the authority under RSA 374:4 to be kept informed of the Company's use of the financing independently and apart from any review under RSA 378:28.

We issue this order on a *nisi* basis, so that interested persons receive notice and have the opportunity to comment or request a hearing before the order becomes effective.

Based upon the foregoing, it is hereby

ORDERED NISI, that subject to the effective date below, the request of Public Service Company of New Hampshire d/b/a Eversource Energy for approval of its proposed financing transaction, specifically borrowing up to \$200 million through the issuance of long-term debt securities through December 31, 2020, as described herein, is hereby APPROVED; and it is

FURTHER ORDERED, that Eversource Energy shall cause a copy of this order *nisi* to be published on its website within one business day, such publication to be documented by affidavit filed with the Commission on or before August 6, 2020; and it is

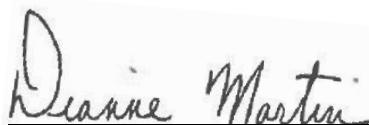
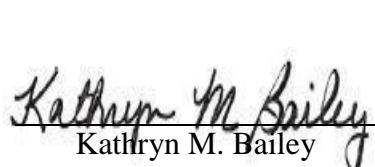
FURTHER ORDERED, that the Executive Director shall cause a copy of this order *nisi* to be published on the Commission's website within one business day; and it is

FURTHER ORDERED, that all persons interested in responding to this order be notified that they may submit written comments or file a written request for a hearing which states the reason and basis for a hearing no later than August 7, 2020, for the Commission's consideration; and it is

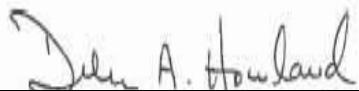
FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than August 11, 2020; and it is

FURTHER ORDERED, that this order shall be effective on August 12, 2020, unless Eversource 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 thirty-first day of July, 2020.

  
Dianne Martin Kathryn M. Bailey Michael S. Gaimo
Dianne Martin Kathryn M. Bailey Michael S. Gaimo
Chairwoman Commissioner Commissioner

Attested by:


Debra A. Howland
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Executive Director

Service List - Docket Related

Docket# : 20-072

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