

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6956

Amended Petition of Public Service Company)
of New Hampshire for Approval of the Issuance)
of \$50 Million Principal Amount of Long-term)
Debt During the Period June 1, 2004 to May 30,)
2005, Authority to Mortgage Property and for)
Utilization of Derivative Instruments)

Order entered: 6/4/2004

I. INTRODUCTION

On April 19, 2004, Public Service Company of New Hampshire ("PSNH") filed a petition with the Vermont Public Service Board ("Board") in connection with a proposal to issue up to \$200 million aggregate principal amount of long-term debt securities and to utilize derivative instruments in connection therewith during the period June 1, 2004, to December 31, 2006, and a request for an increase in PSNH's short-term debt limit from 100 million dollars to 150 million dollars. On May 10, 2004, PSNH filed an amended petition (the "Amended Petition") requesting authority to issue up to 50 million dollars aggregate principal amount of long-term debt securities during the period June 1, 2004, to May 30, 2005, authority to mortgage its property in connection therewith, and authority to utilize derivative instruments with respect to the 50-million dollar issuance (the "Financing").

In support of its Amended Petition, PSNH submitted prefiled testimony of Randy A. Shoop (the "Testimony" or "Shoop pf.") a copy of which was served on the Vermont Department of Public Service ("DPS"), a statutory party to this docket. Thereafter, the DPS and PSNH entered into a stipulation resolving the issues in this proceeding and waived their respective rights under 3 V.S.A. § 811 to review a proposal for decision, file exceptions, present briefs and oral arguments and convene a hearing.

I have reviewed the Amended Petition, the supporting testimony, and accompanying documents. I conclude that approval of PSNH's petition pursuant to 30 V.S.A. § 108(a) is appropriate and that such approval may occur without hearing. Based upon the evidence of record and the testimony and exhibits presented in this docket, and the stipulation entered into by PSNH and the DPS on May 19, 2004, I hereby report the following findings and conclusion to the Board in accordance with 30 VSA § 8.

II. FINDINGS

1. The Parties entered into a Stipulation dated May 19, 2004, with respect to the Financings, which are described in the Amended Petition filed by PSNH with the Board on
2. May 7, 2004. Stipulation, generally.
3. As of December 31, 2003, PSNH had approximately 58.9 million dollars in outstanding short-term debt which was incurred to finance, inter alia, the acquisition by PSNH of Connecticut Valley Electric Company. Shoop pf. at 3.
4. Total PSNH construction expenditures over the next several years, which include transmission, are expected to be substantial. Although PSNH's current cash flows from operations and interest coverages are relatively healthy and stable, capital contributions from PSNH's parent, Northeast Utilities ("NU"), and refinancing of short-term borrowings will be necessary and critical to fund this infrastructure improvement program. PSNH's financing plan contemplates accessing the capital markets to issue long-term debt whenever short-term debt consistently exceeds the 50 to 75- million dollar range. Shoop pf. at 3.
5. PSNH proposes to issue and sell up to 50 million dollars in aggregate principal amount of long-term debt, with a maturity ranging from 2 to 30 years. The debt may be secured or unsecured, in the form of first mortgage bonds, notes or other long-term securities, taxable or tax exempt, carry either a fixed or floating interest rate, may be either insured or uninsured, and may be distributed to either public or private investors. The exact financing structure, terms and conditions, amount, documentation, and coupon rate will be determined at the time of issuance depending on prevailing market conditions. Shoop pf. at 4.
6. PSNH also proposes to mortgage its property in connection with the issuance of secured debt. Shoop pf. at 4 and 5.

7. In addition, PSNH proposes to enter into interest rate swaps and other derivative instruments to manage interest rate risk associated with the 50-million dollar issuance. Shoop pf. at 5.

8. The Board previously allowed the use of derivative instruments by PSNH in an Order entered December 7, 2001. Docket No. 6586.

9. The structure for the Financing will be as described in the Amended Petition and the Testimony. Amended Petition at 2-3; Shoop pf. at 3-7.

10. PSNH proposes the debt issuance prior to May 30, 2005, as described in the Amended Petition and the Testimony. Amended Petition at 2; Shoop pf. at 8-10.

11. PSNH had the following long-term debt outstanding as of December 31, 2003:

Series A, Auction Rate Tax-Exempt PCRB, due 2021	\$89,250,000
Series B, Auction Rate Tax-Exempt PCRB, due 2021	89,250,000
Series C, 5.45% Fixed Tax-Exempt PCRB, due 2021	108,985,000
Series D, 6% Fixed Tax-Exempt PCRB, due 2021	75,000,000
Series E, 6% Fixed Tax-Exempt PCRB, due 2021	<u>44,800,000</u>
Subtotal	\$407,285,000
Less: Due within one year	<u>-</u>
Total Long-Term Debt Outstanding	<u><u>\$407,285,000</u></u>

Amended Petition at Appendix B.

12. PSNH had 301 shares outstanding of Common Stock \$1 par as of December 31, 2003. Amended Petition at Appendix B.

13. PSNH had 58.9 million dollars of short-term debt outstanding as of December 31, 2003. Amended Petition at Appendix B.

14. PSNH does not provide retail electric service to any customers in Vermont, and receives no compensation in Vermont from retail sales or as a result of the properties which it owns in the State of Vermont. Amended Petition at 1.

15. PSNH's property in Vermont is limited to a 1.1 MW hydro electric generating plant in Canaan, Vermont. The entire output of the plant is transmitted via a 34.5 KV transmission line to PSNH's electric system in New Hampshire. Amended Petition at Appendix A.

16. PSNH owns and operates the following electric transmission facilities within Vermont:

- (1) 115 KV transmission line running from Littleton, New Hampshire, to Whitefield, New Hampshire which runs 9 miles though the towns of Waterford and Concord, Vermont. This line has no interconnection point within the State of Vermont.
- (2) PSNH owns certain transmission lines of 34.5 KV, 115 KV and 69 KV
PSNH ownership ends at the State Border.

Amended Petition at Appendix A.

17. PSNH owns a small amount of property in the Town of Wilmington, Vermont.

Amended Petition at Appendix A

III. DISCUSSION

Based upon all the foregoing and the evidence in the record, I find that PSNH's petition as described above will be consistent with the general good of the State. I therefore recommend that the Board approve the petition and authorize the financing without hearing.

Dated at Montpelier, Vermont, this 4th day of June, 2004.

s/Ennis John Gidney
Ennis John Gidney, Hearing Officer

IV. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The findings, conclusion and recommendation of the Hearing Officer are adopted.
2. The Board approves the issuance of up to \$50 Million principal amount of long-term debt during the period June 1, 2004, to May 30, 2005, and authority to mortgage property, and for utilization of derivative instruments.
3. This Order does not constitute approval of any particular capital or operating expenditure nor the underlying capital structure that Public Service Company of New Hampshire may implement. Nothing in this approval shall preclude the Department or any other party, or the Board, from reviewing and/or challenging those expenditures and/or the Company's resulting capital structure in any future proceeding.

Dated at Montpelier, Vermont, this 4th day of June, 2004.

<u>s/Michael H. Dworkin</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: June 4, 2004

ATTEST: s/Susan M. Hudson

Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.