

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 23-065

UNITIL ENERGY SYSTEMS, INC.

**Petition for Waiver of Puc 307.05 and Authority to
Change Short-Term Debt Limit Formula**

COMMENCEMENT OF ADJUDICATIVE PROCEEDING AND NOTICE OF HEARING

On June 22, 2023, Unitil Energy Systems, Inc. (UES or the Company) filed a petition requesting that the Commission authorize it to change its current short-term debt limit formula, pursuant to RSA 369:7 and New Hampshire Code of Administrative Rules, Puc 307.05. In support of its petition, UES filed the direct joint testimony of Unitil Service Corp. employees Andre J. Francoeur, Financial Planning and Analysis Manager, and Christopher J. Goulding, Vice President of Finance and Regulatory (Joint Testimony), and related attachments. The initial filing and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are available on the Commission's website at www.puc.nh.gov/Regulatory/Docketbk/2023/23-065.html.

I. BACKGROUND AND PROCEDURAL HISTORY

In Order No. 25,027 (October 22, 2009), issued in Docket No. DE 08-085, the Commission waived Puc 307.05 and approved a settlement agreement that authorized UES to calculate its short-term debt limit as 10 percent of net utility plant plus \$10 million. *Id.* at 3-5. It increased UES's short-term debt limit to \$24 million, subject to UES filing annual updates of its short-term debt limit beginning May 1, 2010. *Id.* at 5. On May 11, 2023, UES filed an update stating that it had calculated its short-term debt limit for the period of June 1, 2023 through June 1, 2024 to be \$40 million. *See* Docket No. DE 08-085, Tab 22.

As explained in the Joint Testimony, UES uses short-term debt primarily for seasonal working capital requirements and construction work in progress. Joint Testimony at 3. It also uses short-term debt to make payments on long-term debt as it matures, such as serial bonds that have been issued with staggered maturity dates. *Id.* at 7-8. When UES's short-term debt reaches a certain level, UES obtains long-term financing to reduce the amount of its short-term debt. *Id.* at 3.

According to the Joint Testimony, UES is reaching its current short-term debt limit faster, given higher working capital requirements, including the cost of purchased power, and long-term debt maturities, necessitating more frequent long-term financings. *Id.* at 7-8. For example, UES required two long-term financings over three years to recapitalize its short-term debt. *Id.* at 8. Mr. Francoeur and Mr. Goulding testified that the Company believed it was prudent to establish a short-term debt limit consistent with its forecasted increase in short-term debt over a three-year period, so that only one long-term financing would be required every three years. *Id.* at 10. They estimated that UES's short-term debt would increase approximately \$62 million from 2023 to 2025. *Id.*

In its petition, UES requested the Commission to issue an order *nisi* by September 20, 2023 authorizing it to change its current short-term debt formula to 20 percent of net utility plant, without any additional fixed component. Petition at 1, 7, ¶ 12. If approved, this new short-term debt formula would result in a short-term debt limit of approximately \$59.9 million. *Id.*, ¶ 13. UES maintained that changing its short-term debt formula would give the Company greater flexibility and result in fewer long-term financings, reducing the costs passed onto customers. *Id.*, ¶¶ 4, 14, 16-17. It contended that a waiver of Puc 307.05 was warranted under the standards

contained in Puc 201.05. *Id.*, ¶¶ 10-11, 14. UES proposed that the new 20 percent formula take effect on the date of the Commission's order in this docket. *Id.* at 1, 7-8.

On July 10, 2023, the Commission issued a procedural order requesting the New Hampshire Department of Energy (DOE) to file its analysis and recommendation regarding UES's petition by August 14, 2023. The DOE filed a request on August 1, 2023 for additional time to file its analysis and recommendation, noting that UES's petition raised a number of questions concerning the proposed increase in the Company's debt limit from \$40 million to \$59.9 million. Further, it asked the Commission to approve the parties' assented-to procedural schedule, which provided for a recommendation deadline of October 6, 2023, as well as other deadlines extending to October 27, 2023.

The Commission approved the procedural schedule by procedural order dated August 14, 2023 and approved an amended procedural schedule by procedural order dated August 22, 2023. A hearing will be scheduled on UES's petition to address the issues raised by UES's proposed changes to its short-term debt formula, which, if approved, would result in a significant increase in its current short-term debt limit.

II. ISSUES PRESENTED

The filing presents, *inter alia*, the following issues: whether UES has sufficiently demonstrated a need for a permanent increase in its short-term debt limit; whether UES's proposed new short-term debt limit formula is appropriate under RSA 369:7; whether UES's request to waive Puc 307.05 is warranted under Puc 201.05; and whether the proposed increase in the short-term debt limit could adversely impact the capital structure and the weighted average cost of capital. Accordingly, an adjudicative proceeding will be convened to address these issues.

The Commission will be conducting any hearings scheduled in this matter in person. The Commission will consider requests to conduct hearings using a hybrid format to permit remote participation by a specific individual only if the Commission has determined that a sufficient reason has been provided for why that individual would be unable to attend in person. Any party requesting that a specific individual be permitted to participate remotely should file a written request with the Commission's Clerk's Office no later than fifteen (15) days prior to the hearing date. If the Commission determines that one or more individuals will be permitted to appear remotely, then individuals in the Commission's hearing room, including the Commissioners, will be broadcast on a web-enabled platform.

Based upon the foregoing, it is hereby

ORDERED, that an adjudicative proceeding be commenced for the purpose of reviewing and resolving the foregoing issues pursuant to RSA chapter 541-A, RSA 369:7, Puc 307.05, Puc 201.05, and the Commission's other procedural rules; and it is

FURTHER ORDERED, that the Commission will hold a hearing in this matter at its offices located at 21 S. Fruit St., Suite 10, Concord, New Hampshire, on December 7, 2023, at 9:00 a.m. Three hours shall be allotted for this hearing; and it is

FURTHER ORDERED, that any entity or individual may petition to intervene and seek to be admitted as a party in this proceeding. Each party has the right to have an attorney represent the party at the party's own expense; and it is

FURTHER ORDERED, that, consistent with N.H. Admin. R., Puc 203.17 and Puc 203.02, any entity or individual seeking to intervene in the proceeding shall file with the Commission a petition to intervene with copies sent to UES and any other parties on the service list, on or before November 9, 2023. The petition shall state the

facts demonstrating how the petitioner's rights, duties, privileges, immunities, or other substantial interests may be affected by the proceeding, consistent with N.H. Admin. R., Puc 203.17; and it is

FURTHER ORDERED, that any party objecting to a petition to intervene make said objection on or before November 20, 2023; and it is

FURTHER ORDERED, that parties shall file any proposed exhibits, written testimony, motions, or other documents intended to become part of the record in this proceeding with the Commission. Pursuant to the secretarial letter issued on March 17, 2020, which is posted on the Commission's website at <https://www.puc.nh.gov/Regulatory/Secretarial%20Letters/20200317-SecLtr-Temp-Changes-in-Filing-Requirements.pdf>, all Commission rules requiring the filing of paper copies are suspended until further notice. Parties may elect to submit any filing in electronic form unless otherwise ordered by the Commission. Filings will be considered filed as of the time the electronic copy is received by the Commission; and it is

FURTHER ORDERED, that routine procedural inquiries may be made by contacting the Commission's Clerk's Office at (603) 271-2431 or ClerksOffice@puc.nh.gov. All requests to the Commission should be made in a written pleading filed with the Commission. Unless otherwise authorized by law, *ex parte* communications are prohibited; and it is

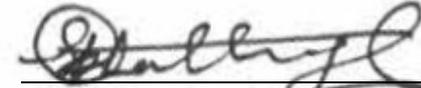
FURTHER ORDERED, that pursuant to N.H. Admin. R., Puc 203.12, UES shall notify all entities and individuals desiring to be heard at this hearing by publishing a copy of this order of notice on its website no later than two business days after the date of issue, such publication to be documented by affidavit filed with the Commission on or before September 26, 2023. In addition, the Clerk shall publish this

order of notice on the Commission's website no later than two business days after the date of issue; and it is

FURTHER ORDERED, that any hearings in this matter shall be conducted in accordance with the attached hearing guidelines.

So ordered, this seventh day of September, 2023.


Daniel C. Goldner
Chairman


Pradip K. Chattopadhyay
Commissioner


Carleton B. Simpson
Commissioner

Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability should contact the NHPUC, 21 S. Fruit St., Suite 10, Concord, New Hampshire 03301-2429; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.

Service List - Docket Related

Docket#: 23-065

Printed: 9/7/2023

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