

145 FERC ¶ 61,186  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Philip D. Moeller, John R. Norris,  
and Tony Clark.

National Grid USA

Docket No. ES12-3-001

ORDER DENYING REQUEST FOR EXTENSION OF AUTHORIZATIONS TO  
ISSUE SECURITIES

(Issued November 29, 2013)

1. On October 4, 2013, as supplemented on October 31, 2013, National Grid USA (National Grid), on behalf of its public utility subsidiaries,<sup>1</sup> filed an application pursuant to section 204 of the Federal Power Act (FPA)<sup>2</sup> (Request for Extension)<sup>3</sup> seeking an extension of the Commission's prior authorizations to issue short-term debt in connection with external and internal financings in aggregate principal amounts not to exceed certain specified limits outstanding at

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<sup>1</sup> For purposes of this application, National Grid's public utility subsidiaries are: New England Power Company (New England Power); Massachusetts Electric Company (Massachusetts Electric); Nantucket Electric Company (Nantucket); The Narragansett Electric Company (Narragansett); Niagara Mohawk Power Corporation (Niagara Mohawk); New England Hydro-Transmission Corporation (N.H. Hydro); New England Hydro-Transmission Electric Company, Inc. (Mass. Hydro); New England Electric Transmission Corporation (NEET); and National Grid Generation LLC (National Grid Generation) (collectively, Applicants).

<sup>2</sup> 16 U.S.C. § 824c (2012).

<sup>3</sup> National Grid filed an amendment to its Request for Extension on October 31, 2013 (Amended Request for Extension). In its Amended Request for Extension, National Grid states that, in most respects, there has been no material change in the description of itself and its major affiliates provided in the prior section 204 application that National Grid filed in Docket No. ES12-3-000 on October 6, 2011 (Initial Application) and that the Commission approved. Thus, National Grid incorporates by reference the description of itself and its major affiliates. Amended Request for Extension at 1-2.

any one time (Existing Authorizations).<sup>4</sup> Applicants state that the Existing Authorizations expire on November 30, 2013 and request an extension until April 1, 2014. We will deny the Request for Extension, as discussed below.

## **I. Background**

2. National Grid plc, the parent holding company of National Grid, is incorporated in England and Wales. National Grid plc is engaged in utility and non-utility operations primarily in the United States and the United Kingdom through various subsidiaries and investments. National Grid is a public utility holding company that is wholly-owned by National Grid plc through a chain of intermediate holding companies.<sup>5</sup>

3. Through its direct and indirect subsidiaries, National Grid is engaged in electric transmission and the distribution and sale of electricity and natural gas to residential, commercial, and industrial customers in New York and parts of New England. These subsidiaries sell and distribute natural gas to 3.5 million customers in New York and Rhode Island and transmit and deliver electricity to nearly 4.5 million customers in New York, Massachusetts, Rhode Island, and New Hampshire.<sup>6</sup>

4. Under the Existing Authorizations, Applicants are authorized to issue short-term debt in connection with external and internal financing in aggregate principal amounts not to exceed the following limits outstanding at any one time: (1) New England Power – \$750 million; (2) Massachusetts Electric – \$750 million; (3) Nantucket – \$15 million; (4) Narragansett – \$400 million; (5) Niagara Mohawk – \$1 billion; (6) N.H. Hydro – \$25 million; (7) Mass. Hydro – \$25 million; (8) NEET – \$10 million; and (9) National Grid Generation – \$250 million. The external financing consists of unsecured commercial paper, notes issued to banks and other lenders, and other forms of unsecured short-term third-party debt. The internal financing consists of notes, journal entries, or other evidences of indebtedness, in exchange for cash or other financing received from affiliates. The Commission authorized the internal financing to take one of three forms: borrowings under a system money pool agreement, borrowings from certain associated companies, or open account advances. Applicants were also

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<sup>4</sup> *National Grid USA*, 137 FERC ¶ 62,189 (2011) (delegated letter order) (Existing Authorizations).

<sup>5</sup> Initial Application at 3.

<sup>6</sup> *Id.* at 3-4. For more detailed information about National Grid and the Applicants, see Initial Application at 3-7.

authorized to issue capital stock to direct or indirect parents in exchange for capital contributions.<sup>7</sup>

## II. Request for Extension

5. National Grid states that it is requesting only a short (i.e., four-month) extension of the Existing Authorizations because it does not have available financial statements for Applicants as otherwise required by sections 34.4(c)-(e) of the Commission's regulations<sup>8</sup> to support an application for new authorizations for Applicants to issue securities under section 204 of the FPA. Specifically, National Grid states that sections 34.4.(c)-(e) of the Commission's regulations require certain published financial data for a 12-month period that ends no more than four months prior to the date of the filing of the application (in this case, June 30, 2013). National Grid states that the most recent 12-month period for which financial statements of Applicants were prepared under the Commission's Uniform System of Accounts (USofA) was for the period ending December 2012. National Grid also states that it prepared US Generally Accepted Accounting Principles (US GAAP) based financial statements for the 12-month period ending March 2013.<sup>9</sup>

6. National Grid states that the delays in publishing and filing financial statements are the result of implementation challenges National Grid is experiencing following the launch of a major technical system and process consolidation program. It explains that, in October 2012, National Grid began implementing an enterprise resource planning system to integrate the company's separate human resources, supply chain and finance systems and processes that have operated across disparate applications and infrastructure since National Grid's acquisition of KeySpan Corporation in 2007. However, National Grid states that it has experienced significantly more difficulties than could reasonably have been anticipated, and that despite the commitment of substantial resources to stabilize the system, it has needed to request extensions to the normal financial reporting requirements to ensure that the financial information it publishes and

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<sup>7</sup> Existing Authorizations, 137 FERC at 64,469-71.

<sup>8</sup> 18 C.F.R. §§ 34.4(c)-(e) (2013).

<sup>9</sup> Request for Extension at 4-5.

files with the Commission is accurate.<sup>10</sup> For the same reasons, National Grid is requesting a waiver of the Commission's requirement in sections 34.4(c)-(d) of the Commission's regulations in connection with the Request for Extension.<sup>11</sup>

7. National Grid states that the long-term debt of six of the Applicants has been rated investment grade by Standard and Poor's (S&P) or by Moody's Investors Service (Moody's), or both.<sup>12</sup> These credit ratings were reaffirmed August 9, 2013 by Moody's and September 30, 2013 by S&P. National Grid states that these credit ratings support the conclusion that the requested short extension of the existing short-term debt authorizations will not impair either the financial viability of any of the Applicants or the ability of any of the Applicants to perform public utility service.<sup>13</sup>

8. National Grid further provides the notarized statement of Bradley B. White, National Grid Vice President and Controller, attesting that there has been no material change in business for any of the Applicants from October 6, 2011 through the end of September 2013 that would materially impair its ability to perform public utility services or otherwise materially impair its financial viability or its ability to meet its short-term debt obligations as currently authorized by the Commission. National Grid states that this attestation applies through March 31, 2014.<sup>14</sup>

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<sup>10</sup> *Id.* at 2-3. National Grid states that the requests for extension for filing the FERC financial reports for 2012 and the first quarter 2013 were filed in Docket Nos. AC13-81-000; AC13-74-000; and AC13-82-000. *Id.* n.8. The request for extension in Docket No. AC13-82-000 was granted on August 30, 2013. National Grid USA Service Company, Inc., Docket No. AC13-82-000 (Aug. 30, 2013) (delegated letter order). The requests for extension in the other two dockets are pending before the Commission.

<sup>11</sup> Amended Request for Extension at 8.

<sup>12</sup> *Id.* at 6-7.

<sup>13</sup> *Id.* at 6-8. The three Applicants that are not rated by either S&P or Moody's are N.H. Hydro, Mass. Hydro, and NEET. *Id.* at 6-7.

<sup>14</sup> Amended Request for Extension, Attachment A, Statement of Bradley B. White.

### **III. Notices of Filing, Interventions, and Protests**

9. Notice of the Request for Extension was published in the *Federal Register*, 78 Fed. Reg. 62,296 (2013), with interventions and protests due on or before October 25, 2013. None was filed.

10. Notice of the Amended Request for Extension was published in the *Federal Register*, 78 Fed. Reg. 68,051 (2013), with interventions and protests due on or before November 12, 2013. None was filed.

### **IV. Analysis Under FPA Section 204**

11. FPA section 204(a) provides that requests for authorization to issue securities or to assume obligations or liabilities shall be granted if the Commission finds that the issuance: “(a) is for some lawful object, within the corporate purposes of the applicant and compatible with the public interest, which is necessary or appropriate for or consistent with the proper performance by the applicant of service as a public utility and which will not impair its ability to perform that service; and (b) is reasonably necessary or appropriate for such purposes.”<sup>15</sup>

12. When making an application under FPA section 204, National Grid is required under sections 34.4 (c)-(e) of the Commission’s regulations<sup>16</sup> to provide published financial statements for a 12-month period ending no more than four months prior to the date of the filing of the FPA section 204 application. The Commission evaluates a public utility’s financial viability, and whether to authorize an issuance of securities or an assumption of obligations or liability based on its review of those financial statements.<sup>17</sup> The most recent USofA data provided by National Grid is for the period ending December 2012. National Grid has not provided a sufficient basis to warrant granting waiver of the Commission’s requirements under sections 34.4(c)-(e).<sup>18</sup> Therefore, National Grid has not demonstrated that the Existing Authorizations (1) will continue to be for lawful objects within the corporate purposes of the Applicants and compatible with the public interest, necessary or appropriate for or consistent with the proper

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<sup>15</sup> 16 U.S.C. § 824c(a) (2012).

<sup>16</sup> 18 C.F.R. §§ 34.4 (c)-(e) (2013).

<sup>17</sup> *Entergy Arkansas, Inc.*, 145 FERC ¶ 61,093, at P 39 (2013).

<sup>18</sup> *Id.* We note that National Grid requested waiver for only sections 34.4(c)-(d), but mentioned section 34.4(e) elsewhere in its Amended Request for Extension.

performance by the Applicants of service as a public utility and will not impair their ability to perform that service; and (2) remain reasonably necessary or appropriate for such purposes. Accordingly, we cannot find that National Grid has met the statutory standard under FPA section 204 and we will deny National Grid's Request for Extension.

13. We note that National Grid also submitted US GAAP financial data in support of its Request for Extension. The Commission has previously stated that utilities must submit their financial information to the Commission consistent with the Commission's FERC Form No. 1 and the USofA.<sup>19</sup>

The Commission orders:

Applicants' Request for Extension is hereby denied, as discussed in the body of this order.

By the Commission. Acting Chairman LaFleur is not participating.

( S E A L )

Kimberly D. Bose,  
Secretary.

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<sup>19</sup> *Streamlining of Regulations Pertaining to Parts II and III of the Federal Power Act and the Public Utility Regulatory Policies Act of 1978*, Order No. 575, 60 Fed. Reg. 4831, at 4835 (1995).