

DG 06-111

CONCORD STEAM CORPORATION

Petition for Approval of Issuance of Securities

Supplemental Order On Debt Financing Request

ORDER NO. 24,680

October 23, 2006

I. PROCEDURAL HISTORY AND BACKGROUND

On August 21, 2006, Concord Steam Corporation (CSC or the Company), a public utility supplying steam service to approximately 120 commercial and institutional customers and one residential customer in Concord, filed with the New Hampshire Public Utilities Commission (Commission) a petition seeking authority to issue securities pursuant to RSA 369:1. The petition sought Commission approval for a \$1.0 million term loan to be used for the following purposes: (1) making certain repairs to its two wood storage silos, the roof of the boiler room, and a conveyor belt in the amount of \$555,000; (2) refinancing existing long term debt of \$240,000 for cash flow reasons; and (3) purchasing equipment necessary to process and transport wood chips as part of the Company's wood burning operation in the amount of \$205,000.

On September 29, 2006, the Commission issued Order No. 24,673 approving the financing but reserving judgment about the reasonableness of the wood yard operations component of the requested financing (i.e., \$205,000). The Commission indicated it would issue a supplemental order regarding this matter in the near future. On October 20, 2006, Commission Staff filed a memorandum with the Commission recommending approval of the wood yard operations component of the requested financing.

II. COMMISSION ANALYSIS

The \$205,000 component of the \$1.0 million financing request pertains to the purchase of trucks for Concord Steam's proposed new wood yard and marks an important change in Concord Steam's operations. In the past, CSC out-sourced the wood yard operations. However, going forward, CSC proposes to take over the wood yard operations and this financing is required to purchase the trucks that are necessary to implement its plan to take over the wood yard operations.

The Commission has reviewed CSC's financing petition and Staff's recommendation provided on October 20, 2006. Staff's analysis reveals that the decision to take over the wood yard operation, rather than out-source the operation, provides a lower-cost option for CSC and its ratepayers. In addition, we recognize that the Company has an immediate need for an infusion of new capital to purchase the trucks to operate the wood yard. We agree that the wood yard operations component of the financing is reasonable and should be approved.

The question of the reasonableness of CSC's lease of land for wood yard operations from its affiliate, BS & Chips LLC, and the recovery of costs incurred in connection with the lease from ratepayers will be separately and independently considered in Docket Nos. DG 06-114 and 06-127.

Based upon the foregoing, it is hereby

ORDERED, that the petition of Concord Steam Corporation for authority to issue securities is approved in respect to the wood yard operations component about which the Commission reserved judgment in Order No. 24,673.

By order of the Public Utilities Commission of New Hampshire this twenty-third day of
October, 2006.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary