

THE STATE OF NEW HAMPSHIRE



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**PUBLIC UTILITIES COMMISSION**

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June 24, 2008

Debra A. Howland  
Executive Director  
New Hampshire Public Utilities Commission  
21 South Fruit Street, Suite 10  
Concord, NH 03301-2429



Re: DG 08-063 Concord Steam Corporation  
Petition for Increase in Short Term Debt Limit & Waiver of Puc 1106.03  
Staff Recommendation

Dear Ms. Howland:

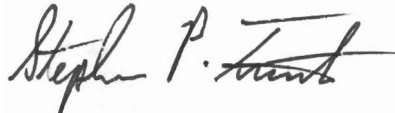
On April 24, 2008, Concord Steam Corporation (Concord Steam) filed a petition for approval of issuance of securities pursuant to RSA 369:7 and waiver of the requirements of N.H. Code Admin. Rules Puc 1106.03. The proposed financing would increase the short term borrowing limit from \$700,000 to \$1,200,000. Order No. 24,557 (December 9, 2005), approving the current line of credit, calculated that the approved line of credit represented 15.4 percent of net fixed plant. The proposed line of credit represents 23.1 percent of net fixed plant.

The primary reason for the proposed increase is to finance the purchase of wood chips, the primary source of fuel used to produce steam. The cost of wood chips is expected to increase 14 percent over last year, a year in which the Company had to delay some of its payables because it had borrowed to the maximum amount of its existing line of credit. The ability to purchase and store wood chips improves system reliability and creates buying opportunities, as wood chips can be purchased when demand is low and are then available and under Company control when needed during the heating season. Concord Steam does not recover the cost of the wood chips until they are used to generate steam and steam sales are billed and paid. The increased short term borrowing limit will enable Concord Steam to maintain fuel inventories at optimal levels, even as the costs of those inventories continue to rise, and fund its other short term working capital needs.

All terms of the credit line, with the exception of the borrowing limit, are the same as the current credit line: interest is calculated on outstanding principal balance at the daily prime rate; the loan is secured by a security interest in Concord Steam assets; the loan is personally guaranteed by Peter Bloomfield and Mark Saltsman, officers and directors of the Company; a zero balance must be maintained for a minimum of 30 consecutive days during the year; an annual fee of \$750; and a debt service coverage ratio of 1.20:1 must be maintained. The debt service ratio is calculated using year end financial statements as follows: the sum of (net income after taxes + depreciation/amortization expense + interest expense +/- extraordinary expenses/income – dividends/distributions) divided by total annual debt requirements (i.e. total principal (excluding principal payments on the credit line) and interest payments).

Based on its review of the filing and discovery and for the reasons cited above, Staff recommends that the Commission grant Concord Steam's request for a waiver of the requirements of Puc 1106.03 and approve the proposed increase in the short term borrowing limit, thereby establishing a short term debt limit of \$1,200,000.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen P. Frink". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Stephen P. Frink  
Assistant Director, Gas & Water Division

cc: Service List

SARAH KNOWLTON  
MCLANE GRAF RAULERSON & MIDD  
100 MARKET ST STE 301  
PORTSMOUTH NH 03801

Docket #: 08-063      Printed: June 24, 2008

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WITH THE EXCEPTION OF DISCOVERY, FILE 7 COPIES (INCLUDING COVER LETTER) TO:**  
DEBRA A HOWLAND  
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21 SOUTH FRUIT STREET, SUITE 10  
CONCORD NH 03301-2429

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