

THE STATE OF NEW HAMPSHIRE

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November 2, 2017

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

Re: DW 17-143, Bedford Waste Services Corp.  
Petition for Authority to Issue Long-term Debt  
Staff Recommendation

Dear Ms. Howland:

On September 15, 2017, Bedford Waste Services Corp. (Bedford) submitted a request pursuant to RSA 369:1 for authority to issue long-term debt. Bedford's petition was accompanied by the prefiled testimony of Stephen P. St. Cyr, a financial consultant to Bedford. Bedford is a regulated sewer utility serving approximately 78 customers in a limited area of the Town of Bedford. The company seeks to borrow \$170,000 from Merrimack County Savings Bank (MCSB) in order to refinance a promissory note to its shareholder, to pay past due payments on that note, and to pay past due amounts to several vendors. After review, Staff recommends approval, but also suggests that future capital additions be financed by the addition of equity capital to the company's capital structure.

Under RSA 369:1, public utilities engaged in business in this state may issue evidence of indebtedness payable more than 12 months after the date thereof only if the Commission finds the proposed issuance to be "consistent with the public good." Analysis of the public good involves looking beyond the actual terms of the proposed financing to the use of the funds and the effect on rates to insure the public good is protected. *See Appeal of Easton*, 125 N.H. 205, 211 (1984). "[C]ertain financing related circumstances are routine, calling for more limited Commission review of the purposes and impacts of the financing, while other requests may be at the opposite end of the spectrum, calling for vastly greater exploration of the intended uses and impacts of the proposed financing." *Lakes Region Water Company, Inc.*, Order No. 25,753 (January 13, 2015) at 4-5, citing *Public Service Company of NH*, Order No. 25,050, 94 NH PUC 691, 699 (2009).

Bedford has a commitment from MCSB for a \$170,000 term loan with a 15 year term. The loan has a fixed interest rate of 4.75% for the first five years, and then that rate adjusts every 5 years based on the Federal Home Loan Bank amortizing advance rate plus a margin of 2.75%. Bedford is to provide a first security lien on all its business assets; Bedford's shareholder Robert S. LaMontagne is to be an unlimited guarantor. Bedford has fallen behind on its note payments to its shareholder, as well as to a number of vendors. The shareholder note was executed in 2013 with an original principle balance of \$170,000, a term of 15 years, and an annual interest rate of 8.0%. The new \$170,000 loan will refinance the promissory note to Mr. LaMontagne and 8 missed monthly payments on that note that together total about \$160,000. The remainder of the proceeds will be used to pay past due amounts to vendors of the company, as detailed in Bedford's petition. The proposed refinancing will result in slightly lower monthly payments due to the resetting of the term of the shareholder loan to 15 years, and the lower interest rate than that of that note.

Staff is supportive of this financing request, because the financing as proposed should have no impact on rates, it will enable the company to pay down accounts payable, and will slightly improve Bedford's cash flow. However, Staff believes Bedford should add equity capital in its capital structure in the near future. In spite of the company's positive return on rate base in recent years, the company is generating very little if any net operating income to build equity. For example, in 2016 Bedford had net operating income of \$9,279, but interest expense of \$12,719 resulted in a net loss. The circumstances in 2014 and 2015 were the same. The company is too dependent on debt financing; a more balanced capital structure by incorporating equity for future capital improvement needs would alleviate this situation over time.

In summary, Staff recommends approval of this financing request, but recommends that future capital improvement needs be financed by equity capital for the reasons stated in this letter.

If there are any questions regarding this recommendation, please let me know.

Sincerely,



Mark A. Naylor  
Director, Gas & Water Division

Cc: service list

**SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED**

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**Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.**

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**FILING INSTRUCTIONS:**

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**

DEBRA A HOWLAND  
EXECUTIVE DIRECTOR  
NHPUC  
21 S. FRUIT ST, SUITE 10  
CONCORD NH 03301-2429

- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**
- c) Serve a written copy on each person on the service list not able to receive electronic mail.**