

**DG 05-170**

**CONCORD STEAM CORPORATION**

**Petition for Commission Approval of Issuance of Securities**

**Order *Nisi* Approving Requested Increase in the Amount of Short-Term Borrowing Authority**

**ORDER NO. 24,557**

**December 9, 2005**

On October 14, 2005, Concord Steam Corporation (CSC), a public utility engaged in providing steam service to commercial, industrial, and a limited number of residential customers in the City of Concord, New Hampshire, filed with the New Hampshire Public Utilities Commission (Commission) a petition for approval of issuance of securities pursuant to RSA 369:1 (Petition).<sup>1</sup> The Petition seeks Commission approval to enter into the line of credit described in the Petition and increase CSC's existing line of credit for short-term debt from \$400,000 to \$700,000. According to documentation provided with the Petition, other terms of the existing line of credit would remain unchanged.

On October 13, 2005, CSC entered into a Change in Terms Agreement with TD Banknorth in connection with the \$700,000 line of credit. However, CSC states it will not draw down the additional funds until the Commission approves the Petition.<sup>2</sup> According to CSC, the purpose of the loan with TD Banknorth is to provide CSC with additional working capital for the

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<sup>1</sup> In part, RSA 369:1 pertains to the issuance of debt by a public utility payable more than 12 months after the date thereof, which, for regulatory purposes, is typically described as long term debt. However, the Petition describes the debt as being short term and the loan terms indicate that the debt is short term debt, i.e., debt payable less than 12 months after the date thereof. Accordingly, the Commission treats the Petition as being filed pursuant to the short term debt statute, RSA 369:7.

<sup>2</sup> N.H. Code Admin. Rules Puc 1106.03 states that "[n]o utility shall issue or renew any notes, bonds or other evidences of indebtedness payable less than 12 months after the date thereof if said short-term debt exceeds 10 percent of the utility's net fixed plant without prior commission approval pursuant to Puc 201.05."

purchase of wood chips, which are its primary source of fuel used to generate steam for the current heating season. The loan has an interest rate set at the Prime Rate, which was 6.75% at the time of the Petition's filing, and CSC's assets continue to secure the loan. The stated maturity date of the loan is May 31, 2006. On December 8, 2005 Commission Staff filed a memorandum with the Commission recommending approval of the Petition and a waiver of N.H. Code Admin. Rules Puc 1106.03.

The Commission approved the previous short term debt limit of \$400,000 and CSC's grant of a security interest in its property for purposes of the short term debt in *Concord Steam Corporation*, Order No. 24,205 in Docket No. 03-139, 88 NH PUC 409 (September 5, 2003). Later in 2003, CSC sought Commission approval for an additional \$300,000 in short-term debt to be accessed from the retained earnings of its cogeneration division. At that time the cogeneration division was a separate division and was not part of the regulated utility's assets. *Concord Steam Corporation*, Order No. 24,249, 88 NH PUC 631 (December 16, 2003), granted CSC's access to the cogeneration division's retained earnings, noting that the use of intra-company transfers would avoid CSC's Steam division's incurrence of additional issuance, interest and maintenance fees associated with a bank line of credit. In addition, the Commission granted a waiver of N.H. Code Admin. Rules Puc 1106.03 since the transaction resulted in a level of short-term debt that was greater than 10 percent of CSC's net fixed plant.

Subsequently, CSC requested and the Commission approved CSC's proposal to combine CSC's steam and cogeneration divisions.<sup>3</sup> As a result of the combination of CSC's Steam division and Cogeneration division, the net fixed plant of the combined entity increased

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<sup>3</sup> CSC's request was approved by the Commission in Docket DG 04-156, Order No. 24,472 (June 2, 2005).

by \$588,250, from \$3,963,372 to \$4,551,622.<sup>4</sup> When measured against this higher level of net fixed plant, CSC's short-term debt would be 15.4 percent of its net fixed plant (i.e., \$700,000 divided by \$4,551,622) after giving effect to the requested increase in short term debt.

Therefore, Commission approval of a waiver of N.H. Code Admin. Rules Puc 1106.03 is required in this instant petition since the short-term debt level is greater than 10 percent of its combined net fixed plant.

Under N.H. Code Admin. Rules Puc 201.05, the Commission may waive N.H. Code Admin. Rules Puc 1106.03 if it finds that the waiver serves the public interest and the waiver does not disrupt the orderly proceeding of the Commission. Determination of the public interest requires consideration of whether (1) compliance with the rule would be onerous given the circumstances of CSC and (2) the purpose of the rule is satisfied by the alternative method proposed.

Based on our review of the Petition, we conclude that the applicable standards for a waiver are satisfied and that the requested increase in the short term debt limit is consistent with the public good. The increase in the line of credit will enhance the Company's ability to meet the outlays it faces for the purchase of wood chips, which is its primary source of fuel used to generate steam. CSC's need for working capital arises from the fact that it must make substantial outlays for the purchase of fuel at the beginning of the heating season, but CSC only recovers such costs from ratepayers in the form of steam sales as the season progresses. We find that withholding approval of the increase in the amount of the line of credit would be onerous to CSC and would also be inconsistent with CSC's on-going efforts to reduce fuel costs by burning

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<sup>4</sup> In the accounting for the consolidation of CSC's Steam division and Cogeneration division, all intra-company "payables to Cogeneration division" (on Steam division books) and "receivables from Steam division" (on Cogeneration division books) were eliminated. See Petition at Exhibit A, n. 6.

wood rather than relying on other, more costly fuels. We also believe that the terms of the CSC credit line are reasonable and typical of such short-term debt. Under the proposed financing, CSC's capital structure will see an increase in the amount of overall debt. As the cost of debt is typically well below the return on equity, there should be a reduction in the cost of capital in the event CSC were to file another general rate case and this reduction would benefit rate payers.

Based on the discussion above, we will approve the increase in the line of credit from \$400,000 to \$700,000 and grant a waiver of N.H. Code Admin. Rules Puc 1106.03.

**Based upon the foregoing, it is hereby**

**ORDERED *NISI***, that the petition of CSC for an increase in its short-term debt level from \$400,000 to \$700,000 is hereby APPROVED; and it is

**FURTHER ORDERED**, that the Commission grants a waiver of N.H. Code Admin. Rules Puc 1106.03 pertaining to the level of short-term borrowing; and it is

**FURTHER ORDERED**, that, within 30 days of this Order, CSC shall file with the Commission a signed copy of the operative documentation related to the line of credit with TD Banknorth;

**FURTHER ORDERED**, that the Petitioner shall cause a copy of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than December 19, 2005 and to be documented by affidavit filed with this office on or before January 9, 2006; and it is

**FURTHER ORDERED**, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which

states the reason and basis for a hearing no later than December 27, 2005 for the Commission's consideration; and it is

**FURTHER ORDERED**, that any party interested in responding to such comments or request for hearing shall do so no later than January 3, 2006; and it is

**FURTHER ORDERED**, that this Order *Nisi* shall be effective January 9, 2006, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date.

By order of the Public Utilities Commission of New Hampshire this ninth day of December, 2005.

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Thomas B. Getz  
Chairman

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Graham J. Morrison  
Commissioner

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Michael D. Harrington  
Commissioner

Attested by:

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Debra A. Howland  
Executive Director & Secretary