

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DW 17-142**

**BODWELL WASTE SERVICES CORPORATION**

**Petition for Approval of Long Term Debt**

**Order Approving Petition**

**O R D E R N O. 26,072**

**November 9, 2017**

This order approves a petition of Bodwell Waste Services Corporation to borrow \$450,000 from Merrimack County Savings Bank to refinance a promissory note to its shareholder, to pay past due payments on that note, and to pay past due amounts owed to several entities. The Commission finds the debt consistent with the public good and approves the financing as proposed.

**I. PROCEDURAL BACKGROUND**

Bodwell Waste Services Corporation (Bodwell or the Company), is a regulated sewer utility pursuant to RSA 362:2 and RSA 362:4 serving approximately 539 customers in Manchester and Londonderry, New Hampshire. On September 15, 2017, Bodwell filed a petition pursuant to RSA 369:1, seeking approval of a \$450,000 loan from Merrimack County Savings Bank. Bodwell stated that it would use the proceeds to refinance an existing 2001 promissory note, to pay 13 past-due monthly payments, and to pay past-due amounts owed to the Company's affiliate and vendors. In support of its petition, the Company submitted the pre-filed testimony of its financial consultant, Stephen St. Cyr.

That testimony, along with Bodwell's petition and subsequent filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at [www.puc.nh.gov/Regulatory/Docketbk/2017/17-142.html](http://www.puc.nh.gov/Regulatory/Docketbk/2017/17-142.html).

On October 30, 2017, Commission Staff recommended approval of the petition, stating that Bodwell had demonstrated that the new debt to be added to the Company's balance sheet should have no impact on rates and would enable the Company to pay down its accounts payable and improve its cash flow. The \$450,000 loan has a 15-year term with a fixed interest rate of 4.75 percent for the first five years, with an adjustment every five years based on the Federal Home Loan Bank amortizing advance rate plus a margin of 2.75 percent. Bodwell will provide a first security lien on all of its business assets, with its principal, Robert S. LaMontagne, being an unlimited guarantor. Staff cautioned that the capitalization ratio of the Company after the execution of the note will be 96 percent debt and 4 percent equity. Staff found the refinancing appropriate and consistent with the Company's duty to provide safe and adequate, and in all other respects just and reasonable, service to its customers under RSA 374:1. Nonetheless, Staff recommended that future capital needs be financed by equity capital in order to balance the company's capital structure over time.

## **II. COMMISSION ANALYSIS**

RSA 369:1 states that a utility "may, with the approval of the commission but not otherwise, issue and sell ... notes and other evidences of indebtedness payable more than 12 months after the date thereof for lawful corporate purposes." The Commission must conduct a "hearing or investigation as it may deem proper," then authorize the financing "if in its judgment the issue of such securities upon the terms proposed is consistent with the public good." RSA 369:4. The

Commission reviews the amount to be financed, the reasonableness of the terms and conditions, the proposed use of the proceeds, and the effect on rates. *Appeal of Easton*, 125 N.H. 205, 211 (1984).

The rigor of an *Easton* inquiry varies depending on the circumstances of the request. As we have previously noted, “certain 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.” *Public Service Co. of N.H.*, Order No. 25,050 at 14 (December 8, 2009). A routine request is one that will have no perceptible impact on rates or deleterious effect on capitalization, and in which the funds are to enable numerous investments appropriate in the ordinary course of utility operations. *Id.* at 13. A routine request calls for a more limited examination of whether the “use of financing proceeds [is] in the public good without further review of possible alternative uses of the funds.” *Id.* at 16.

The proposed financing is routine in nature; thus we engage in a more limited *Easton* review and find that no hearing is necessary. Bodwell’s filing includes sufficient information about the proposed use and benefits of the financing. This is refinancing of a 2001 promissory note that obligated the Company to pay its owner, Robert LaMontagne, \$445,000 plus interest at a rate of 8.5 percent per annum. The Company did not make 13 monthly payments totaling \$45,583 due primarily to inadequate cash flow caused, in part, by capital investments necessitated by a sewer break in 2017 that required the replacement of over 80 feet of main. The new loan will enable the Company to make up for the missed payments to Mr. LaMontagne and to pay past-due amounts owed to various entities. The proposed loan payments will result in slightly lower payments because of the lower interest rate and the extended maturity date from 2026 to 2032. We find the

terms of the loan reasonable and approve the petition as filed. We concur with Staff's recommendation that future capital improvements should be financed by equity capital instead of debt given the high percentage of debt in the Company's capital structure.

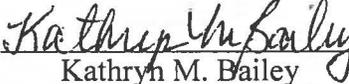
Our approval of Bodwell's financing does not foreclose or limit our review of the prudence, use, and usefulness of any specific cost financed (directly or indirectly) in a future rate case under RSA 378:28. The Commission and its Staff also retain the authority under RSA 374:4 to keep informed regarding Bodwell's use of the proceeds of this financing, independently and apart from any RSA 378:28 review.

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

**ORDERED**, that the authority to undertake the proposed financings, under the terms and conditions contained in the petition of Bodwell Waste Services Corporation, and for the purposes as outlined therein, is hereby **APPROVED**.

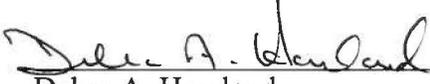
By order of the Public Utilities Commission of New Hampshire this ninth day of November 2017.

  
\_\_\_\_\_  
Martin P. Honigberg  
Chairman

  
\_\_\_\_\_  
Kathryn M. Bailey  
Commissioner

  
\_\_\_\_\_  
Michael S. Giaimo  
Commissioner

Attested by:

  
\_\_\_\_\_  
Debra A. Howland  
Executive Director