

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 17-143

BEDFORD WASTE SERVICES CORPORATION

Petition for Approval of Long Term Debt

Order Approving Petition

ORDER NO. 26,073

November 9, 2017

This order approves a petition of Bedford Waste Services Corporation, to borrow \$170,000 from Merrimack County Savings Bank to refinance a promissory note to its shareholder, to make 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

Bedford Waste Services Corporation (Bedford Waste or the Company) is a regulated sewer utility pursuant to RSA 362:2 and RSA 362:4 serving approximately 78 customers in Bedford, New Hampshire. On September 15, 2017, the Company filed a petition pursuant to RSA 369:1, seeking approval of a \$170,000 loan from Merrimack County Savings Bank. Bedford Waste stated that it would use the proceeds to refinance an existing 2013 promissory note, and to pay past-due amounts owed to the Company's manager, operator and septic tank service provider. In support of its petition, Bedford Waste submitted the pre-filed testimony of its financial consultant, Stephen St. Cyr.

That testimony, along with the 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 <http://www.puc.nh.gov/Regulatory/Docketbk/2017/17-143.html>.

On November 2, 2017, Staff recommended approval of the petition, stating that Bedford Waste had demonstrated that the new debt to be added to the Company's balance sheet should have no impact on rates and will enable the Company to pay down its accounts payable and improve its cash flow. The \$170,000 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. The Company 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 Company is generating very little net income to build equity and is too dependent on debt. In other respects, 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. Staff did, however, recommend 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. Bedford Waste’s filing includes sufficient information about the proposed use and benefits of the financing. This is a routine refinancing of a 2013 promissory note that obligated the Company to pay its owner, Mr. LaMontagne, \$170,000 together with interest at a rate of 8.0 percent per annum. The Company was unable to make 8 monthly payments, and those outstanding payments together with the current principal balance of the loan total about \$160,000. The new loan will enable Bedford Waste to make up for the missed payments 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. 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 in order to address the Company's high percentage of debt in its capital structure.

Our approval of this 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 the Company's use of the proceeds of this financing, independently and apart from any RSA 378:28 review.

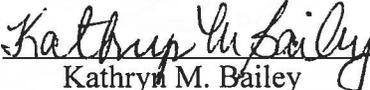
Based upon the foregoing, it is hereby

ORDERED, that the authority to undertake the proposed financings, under the terms and conditions contained in the petition of Bedford 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

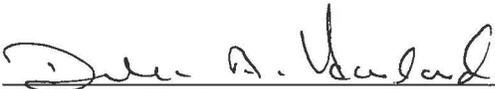


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

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
EXEC 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.**