

DT 04-153

DUNBARTON TELEPHONE COMPANY

Petition for Authority to Refinance Outstanding Debt

Order Nisi Granting Authority to Refinance Outstanding Debt

ORDER NO. 24,384

October 8, 2004

I. COMPANY PETITION

On September 2, 2004, Dunbarton Telephone Company (Dunbarton or Company) filed a petition with the New Hampshire Public Utilities Commission (Commission) pursuant to RSA 369:1 requesting authority to refinance its existing Rural Telephone Bank (RTB) debt.

Dunbarton is a public utility with 1,769 access lines within the towns of Dunbarton, Bow, and Goffstown, New Hampshire. In the instant petition, Dunbarton requests authorization to refinance \$712,000 in long term debt for the purposes of realizing a more favorable interest rate.

Dunbarton proposes to refinance three of its previously approved RTB promissory notes: (1) \$283,500 principal amount at an annual interest rate of 7%, (2) \$315,000 principal amount at an annual interest rate of 7.5% and (3) \$315,000 principal amount at an annual interest rate of 7.5%. The outstanding indebtedness in connection with these three notes was approximately \$712,000 as of July 24, 2004. Dunbarton requests authority to consolidate the three notes into a single new loan of \$712,000 with a projected 5.5% interest rate. The actual rate will be the Treasury rate that exists at the date of closing. The interest savings over the repayment period will be approximately \$200,000.

Dunbarton proposes to amend its loan agreement with the Rural Utilities Service (RUS) of the U.S. Department of Agriculture providing a loan guaranty commitment in the

amount of \$712,000 under the terms and conditions set forth in the contract of guaranty now in effect between RUS and the Federal Financing Bank (FFB). The commitment requires that the proceeds of the guaranteed loan be used only for refinancing existing RUS indebtedness.

The Farm Security and Rural Investment Act of 2002 (the "Farm Bill") authorized the use of loan and loan guaranty funds to refinance outstanding obligations on previously awarded telecommunications loans for the purpose of furthering the deployment of broadband service in eligible rural communities. The Note is secured by an interest in collateral as described in the Restated Mortgage, Security Agreement and Financing Statement, dated as of January 2, 1997, made by between Dunbarton and the RTB.

On September 23, 2004, Dunbarton filed copies of the proposed Loan Agreement Amendment; Reimbursement Promissory Note; and Future Advance Promissory Note, in support of its petition. In accordance with Puc Rule 407.08(d), Dunbarton provided an affidavit stating that the Company believes the proposed refinancing is consistent with the public good because it will lower Dunbarton's cost of capital and will enable the Company to continue telephone system improvements.

In its petition, Dunbarton requested waiver of the requirements of rules Puc 407.08 (b)(2), (b)(6), (b)(8), (b)(10) and (b)(11), which Staff supported. The rules in question concern certain information and documents to be filed with petitions for authority to issue securities. Because the petition concerns a refinancing rather than the issuance of new debt, Staff recommended granting the requested waiver of Puc 407.08 (b) (2) (requiring a "statement in reasonable detail of any proposed additions, construction or working capital requirements together with any proposed construction budget") and (b) (6) (concerning the source and

application of funds and capitalization). Because no private placement or stock issuance is involved, Staff further supports the requested waiver of sections Puc 407.08 (b)(8) (concerning private placement memoranda) and (b)(10) (concerning the terms of new stock). Finally, Staff recommends waiving the requirements of Puc 407.08 (b)(11) (requiring an original and eight copies of the petition and exhibits) for reasons of administrative convenience. In a memorandum dated October 6, 2004, the Staff recommended approval of the refinancing petition finding that, over the repayment period, Dunbarton will save approximately \$200,000.

COMMISSION ANALYSIS

We find that the requested rules waivers serve the public interest and will not disrupt the orderly proceeding of the Commission. Accordingly, pursuant to Puc 201.05(a), the waivers are granted.

Pursuant to RSA 369:1, public utilities engaged in business in this State may issue evidences 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.” This requires us to look beyond actual terms of the proposed financing to the use of the proceeds of those funds and the effect on rates to insure the public good is protected. See *Appeal of Easton*, 125 N.H. 205 (1984).

In the case at hand, Dunbarton has requested authorization to refinance \$712,000 of its RTB debt with FFB in order to secure a more favorable interest rate. The refinance will result in savings of approximately \$200,000 over the course of repayment. In addition, the Note provides for guaranteed loan advances for the purpose of furthering the deployment of broadband in eligible rural communities. The proposal both protects the public good and

involves appropriate use of proceeds. Accordingly, we find that the proposed refinancing is consistent with the public good.

Based upon the foregoing, it is hereby

ORDERED NISI, that subject to the effective date below, Dunbarton is hereby authorized, pursuant to RSA 369, to refinance up to \$712,000 in long term debt; and it is

FURTHER ORDERED, that Dunbarton is authorized to enter into the Loan Agreement Amendment contained in its filing; and it is

FURTHER ORDERED, that Dunbarton is authorized to enter into the Reimbursement Promissory Note contained in its filing; and it is

FURTHER ORDERED, that Dunbarton is authorized to enter into the Future Advance Promissory Note contained in its filing; and it is

FURTHER ORDERED, that Dunbarton's costs of the transactions associated with the refinancing are reasonable and recoverable; and it is

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 October 18, 2004 and to be documented by affidavit filed with this office on or before November 1, 2004; and it is

FURTHER ORDERED, that all persons interested in responding to this petition may submit their comments or file a written request for a hearing on this matter before the Commission no later than October 15, 2004; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than November 1, 2004; and it is

FURTHER ORDERED, that this Order Nisi shall be effective November 8, 2004, 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 eighth day of October, 2004.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary