

STATE OF NEW HAMPSHIRE

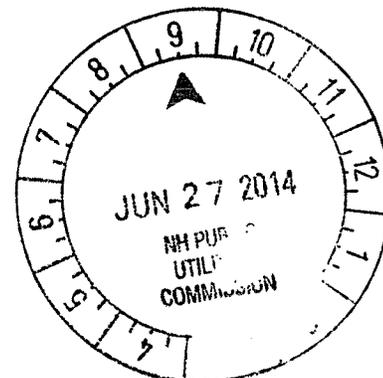
Inter-Department Communication

DATE: June 27, 2014**AT (OFFICE):** NHPUC

FROM: Stephen Frink *SAF*
 Assistant Director – Gas & Water Division
 Michael Sheehan
 Staff Attorney

SUBJECT: DG 14-166 - Concord Steam Financing Petition

TO: Commissioners
 Docket File
 Service List

**SUMMARY OF STAFF RECOMMENDATION**

The petition should be granted, approving the financing and waiving certain filing requirements. The financing is to replace a 13 year old pickup truck used in day-to-day operations and the new debt will have a negligible impact on Concord Steam's finances.

BACKGROUND

On June 17, 2014, Concord Steam Corporation (Concord Steam or Company), a public utility supplying steam service in Concord, New Hampshire, filed a petition for approval to issue securities pursuant to RSA 369:1. The petition seeks Commission approval for a \$31,540 term loan to be used for the purchase of a 2013 model year Ford-150 utility truck to replace an existing 2001 truck that is used in day-to-day utility operations and is malfunctioning. The \$31,540 is to be financed for 48 months at an annual interest rate of 5.77 percent, with the \$739.14 month payments to commence on July 19, 2014 when Concord Steam will take delivery of the truck. The interest to be paid over the life of the loan is \$3,938.72. Concord Steam was able to take advantage of a \$1,500 rebate on the purchase price by agreeing to finance the purchase with Ford Motor Credit at a higher than market annual interest rate of 5.77 percent.

On June 24, 2014 Concord Steam filed a supplement to the original petition seeking approval to refinance the loan with Ford Motor Credit with a Merrimack County Savings Bank loan. The \$31,540 is to be financed over 48 months at an annual interest rate of 3.50 percent with monthly payments of \$705.87, which is \$33.27 per month less than under the terms of the original loan. The total interest paid after refinancing will be \$2,341.76, a savings of \$1,596.96. The financing fee on the new loan is \$60 and the refinancing is to take place 30 days after taking delivery of the truck.

Pursuant to Puc 201.05, Concord Steam also seeks a waiver of the certain requirements of Puc 1107.02, those being; the filing of an adjusted balance sheet, adjusted income statement, statement of capitalization ratios and a copy of a shareholder vote approving the financing. Concord Steam asserts that granting the waiver is in the public interest given the *de minimis* amount of indebtedness and the cost to prepare the schedules.

STAFF RECOMMENDATION

The petition should be granted, approving the original financing and the refinancing and waiving certain filing requirements. Concord Steam is replacing an existing truck that is used in utility operations but has outlived its useful life. The new truck is being purchased locally and the Company was able to advantage of a \$1,500 rebate for financing the purchase through Ford Motor Credit. The Ford Motor Credit interest rate is an above market rate and can be refinanced at market rates after thirty days with no penalty. Refinancing will save Concord Steam \$1,537 when factoring in the \$60 financing fee.

The amount of the financing is *de minimis* and will have a negligible impact on Concord Steam's balance sheet, income statement and capitalization ratios.¹ The nature and amount of the loan is such that it does not require a shareholder vote for approval. To prepare and file those documents would result in additional costs to Concord Steam and not aid the Commission's review of the financing request.

¹ Per the Concord Steam 2013 Annual Report: Net plant as of December 31, 2013 is \$6,669,561 and 2013 operating revenue was \$5,611,173.

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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Docket #: 14-166-1 Printed: June 27, 2014

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.