

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Re: CONCORD STEAM CORPORATION

DG 16 -

Petition for Increasing Short Term Credit Line

PREFILED DIRECT TESTIMONY

OF

PETER BLOOMFIELD, P. E.

September 9, 2016

1 **I. INTRODUCTION AND OVERVIEW OF TESTIMONY**

2 **Q. Please state your name and business address.**

3 A. My name is Peter G. Bloomfield. My business address is P. O. Box 2520,
4 Concord, N. H. 03302.

5 **Q. Where are you employed and what position do you hold?**

6 A. I am President of Concord Steam Corporation (the "Company" or "Concord
7 Steam").

8 **Q. Please describe your education and professional background.**

9 A. I graduated from Union College in 1976 with a B. S. in Mechanical Engineering.
10 I am a registered professional Engineer in N. H., N.Y and Colorado. I have been
11 employed as an engineer in the steam and power industry since I graduated from
12 college. I became president of the Company in the fall of 1986.

13 **Q. Have you previously testified before this Commission?**

14 A. Yes. I have provided testimony in support of the Company's past filing, including
15 its last usage rate case, DG 12-242. I have also provided testimony in both DG
16 16-769, Emergency Rates / Discontinuance of Service and DG 16-770, Joint
17 Petition for Approval of an Asset Purchase Agreement currently before the
18 Commission.

19 **Q. Are you familiar with the Company's operational and financial information,**
20 **including its books and records?**

21 A. Yes.

22 **Q. What is the purpose of your testimony?**

1 A. The purpose of my testimony is to explain the Company's need for an increase in
2 short term credit line and the schedules attached to my testimony.

3 **II. THE COMPANY'S NEED FOR INCREASE IN THE SHORT TERM**
4 **CREDIT LINE**

5 **Q. Please describe the Company and its customers.**

6 A. Concord Steam provides district steam service from its facility at Pleasant Street
7 in Concord, N. H., and is the only steam utility in N. H. It has 85 customers, all
8 of which are located in the City of Concord. The Company has one residential
9 customer; the remainder are all commercial or institutional customers.

10 **Q. Why is the Company seeking an increase in the short term credit line?**

11 A. The Company is seeking an increase in the short term credit line in order to
12 prepare for the upcoming heating season and to meet the financial obligation
13 necessary to do so.

14 **Q. What is the amount of the increase that the Company is seeking?**

15 A. The amount of the increase is \$900,000, *i.e.*, from \$1,200,000 to \$2,100,000.

16 **Q. How does the Company propose to finance such costs?**

17 A. The Company proposes to borrow \$2,100,000 from Merrimack County Savings
18 Bank ("MCSB").

19 **Q. What are proposed the terms and conditions of the short term borrowing?**

20 A. The proposed terms and conditions are:

- 21 1. Revolving Line of Credit for \$2,100,000
22 2. Rate of Prime (currently 3.5%) plus 2.00%, resulting in a rate of 5.5%

1 3. Commitment fee of 1% from the borrower on the line amount, namely

2 \$21,000

3 4. Line to be paid in full and closed on or before May 31, 2017

4 5. Personal Guarantees from Peter Bloomfield and Mark Saltsman

5 6. Assignment of guarantee payment from Liberty Utilities (\$1,900,000) - to

6 be released when Line of Credit is fully paid and closed.

7 **Q. What is the total amount of the financing?**

8 A. The total amount of the financing is \$2,100,000.

9 **Q. Why should the Commission approve the financing?**

10 A. The Commission should approve the financing because it is in the best interest of
11 the Company and its customers. The increase in the line of credit will allow the
12 Company to meet the cash requirements necessary to get ready for the upcoming
13 heating season.

14 **Q. How is the Company proposing to pay back the line of credit?**

15 A. The Company anticipates that, with the emergency rate relief (pending before the
16 Commission in DG 16-769), the revenue will be sufficient to pay expenses and to
17 pay the line of credit. The Company's ability to repay the new debt is only
18 possible with the emergency rate relief.

19 **Q: Has the Company investigated other lending sources?**

20 A: Yes, the Company first approached TD Bank in April, 2016 for an increase in the
21 existing line of credit. The bank came back with terms for the loan increase on
22 August 30, 2016. The terms were prime plus 3% plus a 2% fee of the full amount
23 of the line. MCSB was then approached and the Company received better terms.

1 **Q. Is there anything else that you would like to address before you address the**
2 **financing schedules attached to your prefiled testimony?**

3 A. Yes. Over the years, beginning in 2012, the Company has had to borrow funds
4 from the Rachel Bloomfield Trust (“Trust”) to meet short term cash requirements.
5 As of 6/30/16 the amount owed to the Trust is \$500,000. The Company has not
6 been charged interest on the outstanding balance. The Company is seeking
7 Commission approval of the amounts borrowed from the Trust.

8 **Q. Please explain Attachment PGB -1, entitled Balance Sheet.**

9 A. Generally, the first column indicates the assets, liabilities, capital and other
10 deferred debits and credits. The second column reflects actual 12/31/15 amounts.
11 The third column shows the pro forma adjustments. The fourth column reflects
12 the pro forma balance sheet amounts.

13 **Q. Please explain the adjustments related to the increase in the credit line.**

14 A. Attachment PGB- 1 contains 3 adjustments.

15 The first adjustment to Cash amounting to \$352,420 is the net of the cash
16 received from Merrimack County Savings Bank, the cash paid to pay off the
17 existing credit line to TD Bank, and other adjustments.

18 The second adjustment to Earned Surplus amounting to (\$51,567) is
19 income statement impact of the cost of the financing and the increase interest
20 expense.

21 The third adjustment to Notes Payable amounting to \$403,987 represents
22 the net of the increase in the credit line. It should be noted that the Company
23 anticipates paying back the entire line of credit of \$2,100,000 by May 31, 2017.

1 **Q. Please explain Attachment PGB- 2, entitled Operating Income Statement.**

2 A. The description of the columns is the same as Attachment PGB -1.

3 **Q. Please explain the adjustments related to the increase in the credit line.**

4 A. Attachment PGB- 2 contains 2 adjustments.

5 The first adjustment to Admin and General amounting to \$26,000 is the
6 cost of the financing, mostly related to the Merrimack County Savings Bank
7 commitment fee. Ordinarily financing costs would be deferred and amortized
8 over the life of the loan but in this case the Company will expense such costs as
9 incurred.

10 The second adjustment to Interest on Short-Term Debt amounting to
11 \$25,567 is the increase in interest expense due to the increase in the credit line.

12 **Q. Please explain Attachment PGB- 3, entitled Capital Structure for**
13 **Ratemaking Purposes.**

14 A. The capital structure is made up of equity, long term debt, short term debt and
15 deferred taxes. The second and third columns show the 12/31/15 historical
16 amounts and percentages, respectively. The fourth and fifth columns show the
17 12/31/15 pro forma amounts and percentages, respectively. Overall, short term
18 debt increases and the other components decrease. Even with the increase in the
19 short term debt, the capital structure is relatively balanced.

20 **Q. Please explain Attachment PGB- 4, entitled Journal Entries.**

21 A. Attachment PGB- 4 identifies the specific journal entries used to develop the pro
22 forma financial statements. The significant journal entries are JE#3, which shows

1 the amount borrowed from Merrimack County Savings Bank and JE#4, which
2 shows the payoff of the existing credit line to TD Bank.

3 **Q. Please explain Attachment PGB -5, Cost of Financing.**

4 A. The Company estimates that it will incur approximately \$26,000 in financing
5 costs, primarily the commitment fee to Merrimack County Savings Bank.

6 **Q. Please summarize the approvals that the Company is requesting in this**
7 **docket.**

8 A. The Company respectfully requests that the Commission approve the increase in
9 the bank credit line of \$900,000 from \$1,200,000 to \$2,100,000 to fund
10 operations during the upcoming heating season and approve the amount borrowed
11 from the Rachel Bloomfield Trust.

12 **Q. Does this conclude your testimony?**

13 A. Yes.

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