

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DIVISION OF PUBLIC UTILITIES AND CARRIERS
89 JEFFERSON BOULEVARD
WARWICK, RHODE ISLAND 02888**

IN RE: Block Island Power Company :
 Application for Approval of Loan : Docket No. D-07-08

REPORT AND ORDER

On March 13, 2007, the Block Island Power Company (“BIPCO”) filed an application with the Rhode Island Division of Public Utilities and Carriers (“Division”) seeking authority to obtain a \$600,000 secured term loan from the Rural Utilities Service/Financing Bank (“RUS/FFB”) for the purpose of refinancing an engine (Engine No. 25 – BIPCO’s newest engine). The application was filed in accordance with the requirements contained in Section 39-3-15 of the Rhode Island General Laws and Rule 14 of the Division’s Rules of Practice and Procedure.

According to the application filing, the amount and character of the loan will be a \$600,000 secured promissory note of BIPCO.¹ The note is to be issued for the purpose of refinancing an existing engine, which was originally purchased with a \$600,000 bridge loan from the Washington Trust Company. Interest will be paid at a fixed rate set by federal law at the time the loan is drawn down. Payments of principal and interest will be due and payable

¹ BIPCO Exhibit 1. This exhibit includes the application filing and its supporting exhibits.

quarterly; and the loan will be secured by a first lien on all Company real estate, equipment, accounts receivable, and other assets.²

In response to the application filing, the Division conducted a duly noticed public hearing on April 26, 2007. The hearing was conducted in the Division's hearing room, located at 89 Jefferson Boulevard in Warwick. The following individuals entered appearances:

For BIPCO:	Michael R. McElroy, Esq.
For the Division's Advocacy Section:	William K. Lueker, Esq. Special Assistant Attorney General

BIPCO proffered one witness in support of its application. The witness was identified as Mr. Walter E. Edge, Jr., MBA CPA, an expert in public utility accounting and rate matters. Mr. Edge's testimony provided the relevant details on the proposed borrowing. Mr. Edge also opined that the borrowing is "absolutely" in the best interest of BIPCO and its ratepayers.

Mr. Edge additionally testified that the borrowing would neither have an impact on BIPCO's current rates nor degrade the Company's debt equity ratio. He related that because BIPCO included the \$600,000 engine purchase in rate base in its last rate case there will be no need to request a rate increase to pay for the debt service on this loan.³

The Division's Advocacy Section did not proffered any witnesses in this docket. It did, however, sponsor a joint exhibit in which the benefits of the

² Id.

³ Id., Edge testimony, p. 4.

proposed refinancing were demonstrated.⁴ The Advocacy Section stated for the record that it was satisfied from the evidence presented that BIPCO had met the requisite burden of proof set forth in R.I.G.L. §39-3-15, et seq. and that the proposed refinancing was in the public interest.

FINDINGS

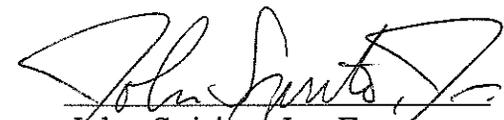
Predicated on a careful examination of the record in this matter, the Division finds that BIPCO's application seeking authority to obtain a \$600,000 secured term loan from the RUS/FFB for the purpose of refinancing Engine No. 25 is reasonable and in the interest of BIPCO and its ratepayers.

Now, therefore, it is

(18936) ORDERED:

1. That the Block Island Power Company's March 13, 2007 application, which seeks Division approval under R.I.G.L. §39-3-15, to obtain a \$600,000 secured term loan from the RUS/FFB for the purpose of refinancing Engine No. 25, is hereby approved as filed.
2. That the Division hereby limits approval of the instant application to the terms and details identified in the record.

DATED AND EFFECTIVE AT WARWICK, RHODE ISLAND ON APRIL 26, 2007.


John Spirito, Jr., Esq.
Hearing Officer


Thomas F. Ahern
Administrator

⁴ Joint Exhibit 1.