

**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-07-44

REPORT AND ORDER

On September 12, 2007, the Block Island Power Company (“BIPCO”) filed an application with the Rhode Island Division of Public Utilities and Carriers (“Division”) seeking approval of a loan from the Washington Trust Company in the amount of \$250,000. 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 \$250,000 promissory note of BIPCO personally (guaranteed by the owners).¹ The note is to be issued for the purpose of buying a bucket truck and two new engine scrubbers (“SCRs”). Interest will be paid at a maximum fixed rate at 225 basis points above the bank’s cost of funds, set at the time the loan is closed. Payments of principal and interest, based on a 10-year amortization schedule, will be due and payable monthly; prepayment is also

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

permitted under the loan's terms. The loan will be secured by the new bucket truck.²

In response to the application filing, the Division conducted a duly noticed public hearing on October 10, 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.

According to Mr. Edge, the \$250,000 amount represents the maximum funds available to BIPCO that can be drawn down to finance the purchase of two new scrubbers (Caterpillar SCR units at \$166,000) to be installed on two of BIPCO's engines and the purchase of a new bucket truck (\$83,781). Mr. Edge related that the balance of the loan, \$219, would be used to help pay for the installation of the SCR units. Mr. Edge also opined that the terms of the borrowing are "absolutely" in the best interest of BIPCO and its ratepayers, and would not be possible "without the personal guarantees of the owners."³

² Id.

³ Id.

Mr. Edge additionally testified that unlike the \$600,000 Rural Utilities Service/Financing Bank ("RUS/FFB") loan that was approved by the Division earlier this year to pay back the Washington Trust Company for a \$600,000 bridge loan⁴, this loan does result in an increase in the Company's debt equity ratio. However, Mr. Edge testified that BIPCO was able to offset the increased debt by recently selling a parcel of land (with non-utility improvements) for nearly \$1,000,000, which he asserted "significantly improved BIPCO's debt/equity ratio." Mr. Edge also noted that BIPCO is in the final year of paying off its original loan with the Washington Trust Company, which he related has a current balance of \$110,883.08.

The Division's Advocacy Section did not proffered any witnesses in this docket. It did, however, propound a number of discovery requests, which were answered by BIPCO and included in the record.⁵ 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 approval of a loan from the Washington Trust Company in the amount of \$250,000 for the purpose of buying a bucket truck and two new engine scrubbers is reasonable and in the interest of BIPCO and its ratepayers.

⁴ See Order No. 18936, issued on April 26, 2007 in Docket No. D-07-08.

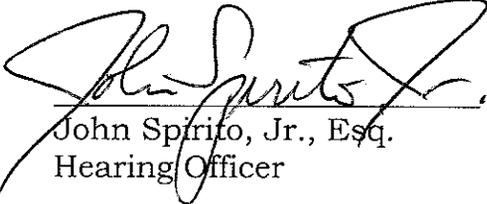
⁵ BIPCO Exhibit 2.

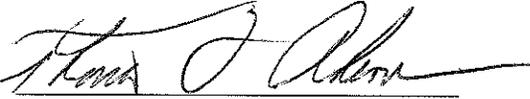
Now, therefore, it is

(19095) ORDERED:

1. That the Block Island Power Company's September 12, 2007 application, which seeks Division approval under R.I.G.L. §39-3-15, to obtain a \$250,000 loan from the Washington Trust Company for the purpose of buying a bucket truck and two new engine scrubbers, 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 OCTOBER 10, 2007.


John Spirito, Jr., Esq.
Hearing Officer

Approved: 
Thomas F. Ahern
Administrator