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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

April 14, 2010 - 10:00 a.m.
Concord, New Hampshire

RE: DG 09-139
CONCORD STEAM CORPORATION:
Notice of Intent to File Rate Schedules.
(Hearing regarding permanent rates)

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Clifton C. Below
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES: Reptg. Concord Steam Corporation:
Sarah B. Knowlton, Esq. (McLane, Graf...)

Reptg. PUC Staff:
Matthew J. Fossum, Esq.
Stephen Frink, Asst. Dir. - Gas & Water Div.
Robert Wyatt, Gas & Water Division

Court Reporter: Steven E. Patnaude, LCR No. 52

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WITNESS: PETER BLOOMFIELD

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WITNESS: STEPHEN P. FRINK

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E X H I B I T S

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EXHIBIT NO. DESCRIPTION PAGE NO.

16

4 Direct Testimony of Stephen P. Frink 4
in Support of Permanent Rates,
including attachments (02-11-10)

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CLOSING STATEMENTS BY: PAGE NO.

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Mr. Fossum 27

23

Ms. Knowlton 28

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1 P R O C E E D I N G

2 CHAIRMAN GETZ: Okay. Good morning,
3 everyone. We'll open the hearing in docket DG 09-139
4 concerning Concord Steam Corporation. On September 4,
5 2009, Concord Steam filed a petition for an increase in
6 its distribution revenues of \$341,940, or 6.53 percent
7 annually. An order suspending the proposed tariffs,
8 scheduling a prehearing conference and a temporary rate
9 hearing was issued on September 14, 2009. Subsequently,
10 on October 29, an order was issued granting temporary
11 rates and approving a proposed procedural schedule,
12 culminating in the hearing the morning.

13 Can we take appearances please.

14 MS. KNOWLTON: Good morning,
15 Commissioners. Sarah Knowlton, with the McLane law firm,
16 here today for Concord Steam Corporation. And, with me
17 today from the Company is Peter Bloomfield and Mark
18 Saltzman.

19 CHAIRMAN GETZ: Good morning.

20 MR. BLOOMFIELD: Good morning.

21 MR. SALTZMAN: Good morning.

22 MR. FOSSUM: Good morning. Matthew
23 Fossum, from the Staff of the Commission, and with me
24 today are Bob Wyatt and Steve Frink from the Commission

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[WITNESS: Bloomfield]

1 Staff.

2 CHAIRMAN GETZ: Good morning. Are you
3 ready to proceed, Ms. Knowlton?

4 MS. KNOWLTON: We are.

5 MR. FOSSUM: Before we begin, I just
6 wanted to mark for identification, which is by agreement
7 of the parties, the Direct Testimony -- the Direct
8 Prefiled Testimony of Stephen Frink, it was filed on
9 February 11th in this docket, as the next exhibit, which I
10 believe is number "4".

11 CHAIRMAN GETZ: Okay. So marked.

12 (The document, as described, was
13 herewith marked as Exhibit 4 for
14 identification.)

15 MS. KNOWLTON: The Company calls Peter
16 Bloomfield.

17 (Whereupon Peter Bloomfield was duly
18 sworn and cautioned by the Court
19 Reporter.)

20 PETER BLOOMFIELD, SWORN

21 DIRECT EXAMINATION

22 BY MS. KNOWLTON:

23 Q. Good morning, Mr. Bloomfield.

24 A. Good morning.

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[WITNESS: Bloomfield]

- 1 Q. Would you state your full name for the record please.
- 2 A. Peter Bloomfield.
- 3 Q. By whom are you employed?
- 4 A. Concord Steam.
- 5 Q. And, in what capacity do you work for the Company?
- 6 A. As President.
- 7 Q. And, Mr. Bloomfield, you filed testimony in this case
- 8 at the outset, is that correct?
- 9 A. Yes. That's right.
- 10 Q. And, that was marked for -- as an exhibit at the
- 11 hearing on temporary rates as "Exhibit 1". Since
- 12 temporary rates were set in this proceeding, has the
- 13 Company participated in any discovery in this case?
- 14 A. Yes.
- 15 Q. Have you had technical sessions with the Commission
- 16 Staff?
- 17 A. Yes, we have.
- 18 Q. Did the Company participate in an audit that was
- 19 conducted by the Staff?
- 20 A. Yes, we did.
- 21 Q. And, to your knowledge, have you answered -- has the
- 22 Company answered all of the questions that were asked
- 23 by the Staff --
- 24 A. Yes.

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[WITNESS: Bloomfield]

- 1 Q. -- during the audit and the discovery phase?
- 2 A. Yes.
- 3 Q. Are you familiar with the testimony that was filed by
- 4 Mr. Frink in support of permanent rates?
- 5 A. Yes, I am.
- 6 Q. And, what level of rates is he recommending for the
- 7 Company?
- 8 A. He is -- he and Staff are recommending the same amount
- 9 of rates that was originally requested and was set as
- 10 temporary rates of \$341,940.
- 11 Q. And, what would be the overall return that Mr. Frink
- 12 would -- is recommending?
- 13 A. The overall return, based on Mr. Frink's numbers, is
- 14 3.91 percent.
- 15 Q. Do you agree with the manner in which Mr. Frink has
- 16 calculated the rates in his permanent rate testimony?
- 17 A. Yes, I do.
- 18 Q. And, do you agree to all of the adjustments that Mr.
- 19 Frink has made?
- 20 A. Yes. Yes, we've gone over the adjustments with Staff
- 21 and agreed to them.
- 22 Q. Have you reviewed the schedules that are attached to
- 23 his testimony?
- 24 A. Yes, I have.

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[WITNESS: Bloomfield]

- 1 Q. Are you in agreement with those as well?
- 2 A. Yes.
- 3 Q. Do you -- actually, would you identify what percentage
4 increase this would result in, if the rates were set as
5 Mr. Frink recommends?
- 6 A. Approximately 7.15 percent.
- 7 Q. And, because these rates that are being recommended are
8 the same level as temporary rates, I assume that the
9 bill impact would be the same on customers?
- 10 A. That's correct.
- 11 Q. Do you think that the rates that are recommended by Mr.
12 Frink are just and reasonable?
- 13 A. Yes, I do.
- 14 Q. Is the level of rate relief that Mr. Frink is
15 recommending less than what the Company would be
16 legally entitled to?
- 17 A. Yes. Based on traditional ratemaking formulas, we
18 would be able -- allowed to ask for more than a
19 \$700,000 rate increase. The reason why we're not is we
20 have -- our rates are not competitive at the moment as
21 it is. And, so, we, in order to retain customers, we
22 have agreed to a lower -- a lower increase and a lower
23 return than we might otherwise deserve.
- 24 Q. Mr. Frink, in his testimony, expresses some concern

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[WITNESS: Bloomfield]

1 over the long term about this level of rate relief. I
2 believe he testifies that it's he believes sufficient
3 for the present, but has some long-term concerns about
4 if this level of rates were maintained over time. Do
5 you have any response to that?

6 A. We actually agree. That these rates are -- we're
7 looking at these to get us through these next couple of
8 years until we get the new plant on line. And, at
9 which point, our whole rate structure we expect to
10 change and become much more competitive.

11 Q. Is the Company able to operate safely under this
12 proposed rate structure?

13 A. Yes. Yes. The rates that this will give us allow us
14 to operate the facility safely and consistently and be
15 reliable.

16 Q. Have you had any complaints from customers, other than
17 the ordinary issues?

18 A. Other than the ordinary, that prices are too high as
19 usual, no.

20 Q. Mr. Frink, in his testimony, refers to -- he made some
21 adjustments based on the Rundlett School special
22 contract. Can you give the Commission an update on the
23 status of that connection?

24 A. Yes. When we first filed, we had expected to have

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[WITNESS: Bloomfield]

1 Rundlett tied in and operating by October, I think.
2 And, due to issues with the school funding their own
3 projects, they're only just now tying their -- the
4 system in. We put the steam line in last summer or
5 fall, and it's -- but they have not used it all winter.
6 So, they are just now going through the mechanical
7 changes necessary to connect steam and disconnect the
8 gas boilers. So, we'll have them on line certainly
9 next winter. They don't have much use at all or a very
10 light use in the spring. There's very little use in
11 the spring.

12 Q. What will the impact on the Company's revenues be, once
13 the school is on line and using its winter usage of
14 steam?

15 A. It's -- we're looking at probably an 8 percent increase
16 in steam sales just from Rundlett, which adds -- should
17 add roughly \$50,000 in net revenue to the Company.

18 Q. And, if you were to factor in that increase in revenues
19 that will come to the Company once Rundlett is on line
20 and taking steam, would that put the Company in a
21 position where it would be earning above what it would
22 be allowed if it sought the full \$719,000 that it would
23 be legally entitled to seek?

24 A. No. No, we still would be well under.

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[WITNESS: Bloomfield]

1 Q. Has the Company lost any customers since we were last
2 here on temporary rates?

3 A. No. No, we haven't. We've been in continuous
4 discussions with the school district. And, it looks
5 like we're going to end up being able to supply steam
6 to the new Conant Elementary School and the new Kimball
7 School. They're going to be ripping down both of those
8 existing buildings and building brand-new buildings,
9 and we're -- looks like we're likely to get the steam
10 supply to them. We are also still talking with the
11 Sanel Block/Duprey development off of South Main
12 Street. And, that's a possibility. But it's -- that's
13 a little bit harder sell. So, we're not quite certain
14 about that one.

15 Q. Has the Company seen any impact of the economic
16 recession on its revenues?

17 A. We have. We have. Just looking at downtown, there's
18 more empty buildings now than there were a year ago, as
19 far as the storefronts and office space. And, it's
20 been, you know, as a result of empty buildings,
21 obviously they're not using as much steam. So, we have
22 noticed that. The warm winter hasn't helped either,
23 but that comes with the territory.

24 Q. In his testimony, Mr. Frink is fairly critical of the

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[WITNESS: Bloomfield]

1 Company's accounting practices. Do you have any
2 updates in response that you can provide to the
3 Commission?

4 A. Uh-huh. In 2008, we noticed our -- realized that the
5 bookkeeper we had been using was making more mistakes
6 than was acceptable. And, so, we changed bookkeepers
7 at that time. And, it took us almost a year from --
8 the new bookkeeper started in July, and it took us,
9 July of '08, and it took us almost a year to fix all of
10 the issues and problems for the first half of 2008 and
11 keep up with issues, before we got things pretty well
12 squared away. And, 2008 being the test year that we
13 used for submittal of the documents of the finances to
14 the Staff, we realized there were some issues there.
15 And, we're well aware of that and have taken steps to
16 make sure that we're in a better condition.

17 Q. Would you provide the Commission an update on the
18 status of the level of staffing at the Company. Mr.
19 Frink also addresses the Company's need to lay off some
20 employees previously.

21 A. Yes. Last fall, we laid off a few people. The
22 question was, you know, "can we maintain the service
23 and be able to be safe and reliable and be able to
24 continue to operate with a slightly lower staffing

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[WITNESS: Bloomfield]

1 level?" We have rehired one full-time person since
2 then, just trying to balance things out to see how we
3 need to do. We made some arrangement with some outside
4 contractor to do a little -- pick up a little bit of
5 the mechanic work, the mechanical work that we were
6 doing in-house previously. So, we feel very good that
7 where we are is very sustainable.

8 Q. The Company previously had a citation from the
9 Occupational Safety and Health Administration. Would
10 you -- has that matter been resolved? Could you
11 provide an update on that?

12 A. Yes. We went through a long process with OSHA and
13 negotiated a settlement. And, we have come to
14 agreement and doing what they are asking us to do, and
15 have resolved that whole situation now.

16 Q. Does the Company have any repairs that are necessary to
17 make to its steam system?

18 A. We've got an obvious steam leak on Main Street, in
19 front of the Federal building, with our little red and
20 white tower there. We expect to -- that's an expansion
21 joint that's leaking that, when it popped and it got
22 bad, it was getting into the heating season, and that
23 particular repair would take about -- it could take as
24 much as two workdays to get it repaired. So, we've put

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[WITNESS: Bloomfield]

1 it off. We'll be repairing that in June. And, there
2 are the usual minor odds and ends around town, here and
3 there, as we need to, we try and stay on top of them as
4 best we can.

5 Q. Do you have an understanding as to why that problem
6 occurred down by the courthouse?

7 A. Our steam line was put in in around 1980. And,
8 sometime after that, what was then Verizon, redid some
9 of their underground phone lines and service lines
10 there. And, when they redid their lines, they poured
11 concrete to protect their lines from the steam system.
12 But, in doing that, they poured a whole bunch of
13 concrete that got around their electrical cables, but
14 it also got all over the top of our steam pipe. And,
15 on the outside of our steam pipe, there's a steel --
16 outside steel casing that protects the insulation and
17 the interior of the system, from outside, as well as,
18 in the case there is a leak, it retains the steam
19 inside the casing, and then we have vents, particular
20 vent points that it's supposed to go to. Well, the
21 concrete that they poured all over the outside of our
22 steam pipe unbeknownst to us, rotted -- it caused the
23 steel casing on the outside to fail and it rotted away
24 completely. So that, when we had a steam leak, it went

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[WITNESS: Bloomfield]

1 up the casing like it's supposed to, but there was no
2 casing to hold it, so it went through their -- some
3 cracks in their concrete, into their duct bank and
4 damaged their -- whatever equipment they had in their
5 manhole.

6 So, they have asked us about it and
7 asked us for -- to deal with it and put a claim into us
8 on that, and our response is, you know, our steam line
9 was their first, it was your concrete and your
10 treatment of that area that caused the problem. So,
11 that's where it sits at this point, and we'll see how
12 it fares.

13 Q. You indicated that the rate relief that the Company is
14 seeking in this case is a short-term strategy for the
15 Company, is that right?

16 A. That's right. Yes.

17 Q. What is the Company's long-term strategy?

18 A. Well, we're getting a little closer to putting the new
19 plant in. We just, as you just saw in the headline
20 above the fold the other day, we got our pilot
21 agreement agreed to with the City. And, we have -- the
22 PPA has probably been the biggest challenge that we've
23 had. We have not been able to sell all the
24 electricity. We've got two utilities that are staying

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[WITNESS: Bloomfield]

1 with us. We've got a third that had said they were
2 going to buy and then backed out, it was a
3 Massachusetts municipal. So, we're talking to two or
4 three other Mass. municipals. We've basically got
5 about something less than 30 percent of the power that
6 has not been accounted for. So, we have sold roughly
7 70 percent has been committed to, so we're trying to
8 get that last 30 percent to get locked in, and then
9 we'll be able to move forward with financing.

10 And, along those lines, we -- financing
11 has seemed to be loosening up somewhat. We're getting
12 some serious interest with a couple of different
13 financing players. Citizens Bank is interested, as
14 well as John Hancock Insurance Company is interested in
15 long-term financing on the project. So, things are
16 looking better, not quite there yet, but we hope to
17 start -- hope to start construction toward the end of
18 this year. And, it's about a two-year construction
19 period. So, it would be 2012 when we'd be bringing the
20 new plant on line.

21 Q. Can the Company stay in its current facility
22 indefinitely?

23 A. Our lease expires this August. And, we have a lease
24 with the State, it was a 30-year lease with the State

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[WITNESS: Bloomfield]

1 of New Hampshire. And, so, we've had discussions with
2 the State and Mike Connor, and we have agreed to extend
3 it as far as we -- as much as we need. There's no
4 issue of us extending it. He asked, you know, "how far
5 should we extend it?" And, I said "let's extend it for
6 three years to start, and we'll just deal with it as we
7 need to." So, that's pretty much taken care of as
8 well.

9 Q. I want to take you back for a minute to the leak down
10 by the courthouse.

11 A. Uh-huh.

12 Q. You indicated that that was yet to be resolved. Has
13 the crack in the casing been fixed?

14 A. That section of steam line that we talked about, where
15 the concrete rotted away? Yes. We repaired that
16 section, when we were fixing the leak or rerouting the
17 leak last fall. So, we did take care of that problem
18 with the rotted out casing and the failure of that
19 particular section of the casing.

20 Q. So, what is left to be resolved?

21 A. Well, we still have the steam leak.

22 Q. Okay.

23 A. So, we have to dig and replace an expansion joint down
24 there.

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[WITNESS: Bloomfield]

1 Q. As well as resolving the dispute with FairPoint over --

2 A. That's right.

3 Q. -- who is responsible for the payments?

4 A. Yes. Well, that's basically in the hands of the
5 insurance company anyway, so...

6 MS. KNOWLTON: I have nothing further
7 for Mr. Bloomfield.

8 CHAIRMAN GETZ: Thank you. Mr. Fossum.

9 MR. FOSSUM: Thank you.

10 CROSS-EXAMINATION

11 BY MR. FOSSUM:

12 Q. Mr. Bloomfield, you just mentioned that you had been
13 working on a lease extension with the State for your
14 current plant, and that that was basically done. Has
15 that been completed? Do you have a signed lease with
16 them or is this, essentially, just an oral agreement at
17 this point?

18 A. Yes, it's just an oral agreement. I call up, and, you
19 know, Mike Connor agreed to it probably six months ago,
20 I think. And, every couple months I call him up and
21 say, "you know, time's getting closer." And, I've said
22 -- I've offered to drop the lease, and he says "No, no,
23 I'll take care of it." And, the thing is, the lease
24 has a clause in it that allows us to stay as,

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[WITNESS: Bloomfield]

- 1 basically, a tenant-at-will, as long as we need. It's
2 not that we have to get out at the end of August. It
3 has a clause in it that allows us to stay there. So,
4 they may end up just not doing anything and just
5 letting us stay there. I don't know. But, we'll see.
6 I'm trying to get something in writing from him.
- 7 Q. And, presumably, on that lease that allows you to stay,
8 it's on all of the same terms that exist currently?
- 9 A. They have a few things they want us to do there.
10 There's some cosmetic stuff around the building they
11 want us to pick up and repair and that kind of thing.
12 But, other than that, we expect it to be the same
13 terms.
- 14 Q. And, it would essentially the same terms on some
15 finalized form of the lease for the next three years?
- 16 A. That's what we're expecting, yes.
- 17 Q. Now, other than the leak that you had spoken about
18 downtown, there had been previous mentions of
19 improvements and repairs to the distribution system,
20 including some pipe re-insulation.
- 21 A. Uh-huh.
- 22 Q. Could you just update us on what is the status of those
23 projects?
- 24 A. When we do some of the repair on that joint that we

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[WITNESS: Bloomfield]

1 talked about, that section of line is some of the
2 worst, in the worst condition. So, when we repair that
3 joint, we're going to be re-insulating a fairly good
4 section of that line. In addition, this summer, we're
5 going to be testing out some alternative methods of
6 re-insulating sections of steam line, with some --
7 injecting foam into the line every 20 feet or so. So,
8 we're going to be trying that out as a test bed this
9 summer.

10 Q. Now, as part of the line extension that was done to the
11 Rundlett School District -- or, I'm sorry, to the
12 Rundlett School, there was -- the Company was to be
13 reimbursed for the cost of that line extension, is that
14 correct?

15 A. That's correct.

16 Q. And, has the Company been reimbursed for that line
17 extension?

18 A. Yes. We have -- the school paid us \$500,000. The
19 actual cost of the work was more than that, but the
20 agreement was the \$500,000, which they have paid us
21 for.

22 Q. And, when did they make that payment?

23 A. They finally made it in February, I believe.

24 Q. Now, you had mentioned potential growth through the --

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[WITNESS: Bloomfield]

1 when Rundlett eventually comes on line, and the other
2 Concord schools, as well as the Sanel Block/Duprey
3 project. Are there any other growth opportunities that
4 the Company is pursuing?

5 A. There are a number of customers that we used to have
6 that we plan to approach, once the new plant is under
7 construction. There's a number of large customers that
8 used to be on that we believe we can get back on. They
9 have since gone back to gas. And, we expect to be able
10 to recover those customers back onto the steam system.

11 Q. But, other than the schools and the Duprey project,
12 there's nothing that's actively being pursued at the
13 moment?

14 A. That's correct.

15 Q. One of the Company's customers, Denev Realty, in the
16 Vegas building downtown, they had some issues meeting
17 payments recently. Has that -- what was the resolution
18 of the issues with that building?

19 A. They were well behind in payments. We have reached an
20 agreement with them where they're making a monthly --
21 they're making a monthly payment to us to catch up
22 with, we're giving them, basically, I think we're
23 spreading it out about a year, to catch up with what
24 they owed us, plus keeping current with all present

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[WITNESS: Bloomfield]

1 bills. But it's a levelized bill, so that they had the
2 same amount to pay us every month.

3 Q. And, have they been meeting their obligations to do so?

4 A. They have been.

5 Q. Regarding the new plant and the changes to the Company
6 as a result, have the cost estimates for that new plant
7 changed since it was, I guess, sort of conditionally
8 approved by the Commission?

9 A. Uh-huh. We had that original pricing about two years
10 ago. We've gotten pricing on some of the major pieces
11 of equipment, repriced, we've got those repriced. And,
12 the pricing has actually gone down a little bit on the
13 equipment pricing. So, we're expecting the
14 construction cost to be very close to the original
15 target. We're going out to general contractors for a
16 turnkey construction price now, and we'll know for
17 certain in a couple months.

18 Q. And, once that plant actually comes on line, about how
19 long after that would you expect there to be the change
20 in the Company's structure and resulting change in
21 rates?

22 A. We haven't -- we haven't worked out exactly how the
23 transition is going to work. With the new plant coming
24 on and the old plant shutting down, you need to make

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[WITNESS: Bloomfield]

1 sure that we maintain reliable steam service. So, it
2 will be certainly within six months of the new plant
3 starting up. And, we're hoping it would be before
4 that. But, until we actually sit down with the
5 contractor, start going over construction timelines and
6 schedules and figuring out, you know, when they're
7 going to have their equipment up, and whether it's
8 heating season or summer, you know, there's a bunch of
9 different issues that we need to try and resolve. So,
10 it's a little bit up in the air.

11 Q. Do you anticipate that the rate increase requested in
12 this case would be the last increase until that
13 restructuring of the Company and its rates?

14 A. Yes, that's what we expect.

15 Q. Now, as to this case, do you have at the moment an
16 estimate of the expenses that you've incurred for this
17 case for which you might be seeking recovery?

18 A. No, I don't, actually. I haven't tallied up the
19 expenses for this case.

20 Q. Would the Company be able to provide estimates or
21 perhaps even final numbers within the next, say, 90
22 days?

23 A. Yes. We should be able to do it in the next two weeks,
24 actually.

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[WITNESS: Bloomfield]

1 Q. Next two weeks.

2 MR. FOSSUM: I have nothing further.

3 CHAIRMAN GETZ: Thank you. Okay.

4 There's nothing from the Bench. Is there anything further
5 for Mr. Bloomfield?

6 MS. KNOWLTON: I have nothing further
7 for him.

8 CHAIRMAN GETZ: Then, you're excused.

9 Thank you.

10 WITNESS BLOOMFIELD: Thank you.

11 CHAIRMAN GETZ: Mr. Fossum.

12 MR. FOSSUM: Yes. I call Stephen Frink
13 to the stand.

14 (Whereupon Stephen P. Frink was duly
15 sworn and cautioned by the Court
16 Reporter.)

17 STEPHEN P. FRINK, SWORN

18 DIRECT EXAMINATION

19 BY MR. FOSSUM:

20 Q. Good morning. Could you just state your name and
21 business and business address for the record please.

22 A. My name is Stephen Frink. And, my business address is
23 21 South Fruit Street, Concord, New Hampshire.

24 Q. And, you're employed by the Public Utilities

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[WITNESS: Frink]

1 Commission?

2 A. Yes, I am.

3 Q. And, in what position are you employed?

4 A. I'm the Assistant Director of the Gas and Water
5 Division.

6 Q. And, in that position, generally speaking, what are
7 your responsibilities?

8 A. Overseeing the regulation of the gas and steam
9 utilities.

10 Q. Thank you. And, in this case, you filed prefiled
11 testimony, which has been already marked by agreement
12 as "Exhibit 4", is that correct?

13 A. Correct.

14 Q. And, do you have any corrections, additions, or changes
15 to that testimony?

16 A. I do not.

17 Q. And, so, if you were to be asked the questions in that
18 testimony today, would your answers be the same as they
19 were at the time it was filed?

20 A. Yes, they would.

21 Q. And, I realize that some of this may be duplicative of
22 what Mr. Bloomfield has said, but could you briefly
23 summarize your testimony please.

24 A. The testimony recommends approval of the proposed rate

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[WITNESS: Frink]

1 increase that Concord Steam made. It is substantially
2 below what they would be entitled to under traditional
3 ratemaking. It increases their revenues by -- test
4 year revenues by about 7 percent. And, based on the
5 pro formed test year, it provides them a return of
6 approximately -- overall rate of return of
7 approximately 4 percent. And, the expectation is that
8 those -- that increase in revenues will be enough to
9 allow them to continue operating the system in a safe,
10 reliable fashion, and should tide them over until they
11 get their new plant on line and restructure rates.

12 My testimony does express concerns
13 regarding the bookkeeping. Mr. Bloomfield explained
14 that the Company has taken steps to address that. And,
15 I think that pretty much covers it.

16 Q. Now, even though it's somewhat below what the Company
17 may be entitled to, do you believe that the increase
18 requested by the Company, and to which you have agreed,
19 results in just and reasonable rates for the Company?

20 A. Yes, I do.

21 Q. Now, long term, do you believe that the Company would
22 be able to earn a, I guess, more reasonable rate of
23 return?

24 A. If they're able to retain their customer base and get

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1 their new plant built, and, as a result, increase sales
2 and reduce costs, and are able to cut their rates, then
3 I would expect so, yes.

4 MR. FOSSUM: Thank you. I have nothing
5 further at this time.

6 CHAIRMAN GETZ: Ms. Knowlton?

7 MS. KNOWLTON: I have nothing for Mr.
8 Frink.

9 CHAIRMAN GETZ: Okay. Just one
10 question, Mr. Frink.

11 BY CHAIRMAN GETZ:

12 Q. And, I think you've touched on it. But, are you
13 comfortable with the change in the Company's
14 bookkeeping efforts going forward, that they have
15 addressed all of the issues that you had raised?

16 A. We'll be doing a desk audit when the annual report
17 comes in. And, so, we'll be reviewing to see what the
18 -- if the improvements are what we expect. But, having
19 a new bookkeeper, yes, we definitely saw some
20 improvements to the process. And, as long as they
21 continue, I think we'll be in good shape.

22 CHAIRMAN GETZ: Good. All right.

23 Anything further for Mr. Frink?

24 (No verbal response)

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[WITNESS: Frink]

1 CHAIRMAN GETZ: Hearing nothing, then
2 you're excused. Thank you.

3 Is there any objection to striking the
4 identifications and admitting the exhibits into evidence?
5 Hearing no objection, they will be admitted into evidence.
6 Is there anything to address before opportunity for
7 closings?

8 (No verbal response)

9 CHAIRMAN GETZ: Hearing nothing,
10 Mr. Fossum.

11 MR. FOSSUM: Thank you. As Mr. Frink
12 has stated, Staff recommends approval of the rate increase
13 that is requested by the Company. Though, the increase is
14 somewhat below what the Company might otherwise be
15 entitled to request under traditional ratemaking
16 principles, it should be sufficient to allow the Company
17 to continue safe and reliable operations until it's able
18 to construct and operate its new plant and restructure
19 itself and its rates.

20 We support the endeavors that the
21 Company has made to this point to improve its bookkeeping
22 practices and to grow its business in the Concord area.

23 With that, we believe that the increase
24 requested by the Company produces just and reasonable

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1 rates, and recommend that the Commission approve it.

2 CHAIRMAN GETZ: Thank you.

3 Ms. Knowlton.

4 MS. KNOWLTON: Thank you. The Company
5 very much appreciates the relationship that it has with
6 the Staff and the Staff's willingness to work with the
7 Company through this rate increase. As Mr. Bloomfield
8 testified, the Company is managing its business very
9 tightly right now, and believes that, with this rate
10 increase, the Company can continue to operate in a safe
11 and reliable manner. This rate increase is part of the
12 Company's short-term strategy. It does have a long-term
13 strategy, which the Commission is aware of, which is to
14 take steam from this new cogeneration plant. And, the
15 Company is working very diligently to see that that
16 happens.

17 I do believe that this proposed rate
18 increase is in the public interest to allow this utility
19 to continue to operate in a safe manner and reliable
20 manner, and believes that it's just and reasonable,
21 particularly given that it is significantly below what the
22 Company would otherwise be entitled to earn.

23 So, with that, I would thank the
24 Commission and the Staff and ask that the Commission

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1 approve permanent rates at the same level as temporary
2 rates that are currently in place.

3 CHAIRMAN GETZ: Okay. Thank you. Then,
4 we'll close the hearing and take the matter under
5 advisement.

6 (Whereupon the hearing ended at 10:38
7 a.m.)

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