

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 13-255

CONCORD STEAM CORPORATION

2013-2014 Cost of Energy Adjustment

Order Approving Cost of Energy Rate

ORDER NO. 25,589

October 30, 2013

APPEARANCES: Peter Bloomfield for Concord Steam Corporation, *pro se*; and Alexander F. Speidel, Esq. and Michael J. Sheehan, Esq. for the Staff of the Public Utilities Commission.

I. PROCEDURAL HISTORY

On September 13, 2013, Concord Steam Corporation (Concord Steam), a public utility providing steam to mostly commercial and institutional customers in Concord, filed its annual cost of energy (COE) rate adjustment for the period November 1, 2013 through October 31, 2014, which included the testimony of Concord Steam's president, Peter G. Bloomfield. *See* Hearing Exhibit 1 (Bloomfield Testimony). The Public Utilities Commission (Commission) issued an order of notice that scheduled a hearing for October 21, 2013. Concord Steam updated its COE filing on October 2, 2013. Hearing Exhibit 2. There were no intervenors. The hearing was held as scheduled.

II. POSITIONS OF THE PARTIES AND STAFF

A. Concord Steam

Concord Steam, through Mr. Bloomfield, addressed: (1) Concord Steam's proposed COE rate and the resulting bill impacts; (2) its fuel purchase strategy; (3) the sales forecast and

unaccounted-for steam; (4) its co-generation operations; and (5) the status of Concord Steam's proposed plant.

1. Proposed COE Rate and Bill Impacts

Concord Steam's updated filing requests a COE rate for the coming year of \$20.83 per 1,000 pounds (Mlb) of metered steam. This proposed COE rate represents a decrease of \$0.25 per Mlb from last year's rate of \$21.08 per Mlb. This decrease results from a smaller under-recovery than last year and lower fossil fuel expenses as the company will replace its use of oil with cheaper natural gas for the upcoming winter. The COE rate is subject to a "collar" that permits Concord Steam, without further Commission action, to adjust the COE rate on a monthly basis upward or downward by up to 20 percent as necessary to minimize the over/under collection balance. *See, e.g., Concord Steam Corp.*, Order No. 23,822 (November 1, 2001). The total bill impact is a 0.58 percent decrease.

2. Fuel Purchase Strategy

Mr. Bloomfield testified that during this upcoming winter about 80 percent of the steam will be generated by burning wood and the remaining 20 percent will come from natural gas. Bloomfield Testimony at 5. Concord Steam will no longer burn oil due to recent modifications to its boilers. *Id.*

Concord Steam has locked in 100 percent of its natural gas supply through a contract with Hess Corporation, and it entered into wood supply contracts that will result in a delivered cost of approximately \$28 per ton, the same price as last winter. Bloomfield Testimony at 5. Of this \$28 per ton, about \$1 is for the cost of the wood, \$14 is for labor and chipping, and \$13 is for transportation. *Id.* The costs for storing and moving the wood from storage to the boiler

brings the total cost to \$35 per ton. Concord Steam pre-purchased about 25 percent of its wood which it stores at its offsite yard for use during the heating season. Bloomfield Testimony at 6-7. Mr. Bloomfield testified that a ton of wood produces approximately the same energy as a barrel of oil and, at the current level for oil and gas futures, that wood is an economical choice even compared to natural gas. *Id.* at 5. He estimated that burning wood for fuel saved customers over \$300,000. *Id.* Mr. Bloomfield testified that there have been no significant changes to the operations of the wood yard, and that Concord Steam continues to use the yard to efficiently manage its wood resources. *Id.* at 5-6.

Concord Steam seeks to recover an under-collection of \$61,795 from the 2012-2013 COE year. Hearing Exhibit 2.

Finally, Concord Steam included in its COE rate the costs for ash disposal, air permit fees, sewer and water costs, and boiler water treatment chemicals, costs that in years past were included in Concord Steam's base rate. Bloomfield Testimony at 6. The Commission allowed inclusion of these production costs in the COE rate by Order No. 25,499 (April 25, 2013) in Docket No. DG 12-242, Concord Steam's last rate case.

3. Sales Forecast and Unaccounted-for Steam

To forecast this winter's steam sales, Mr. Bloomfield testified that Concord Steam weather normalized the actual steam sales from last year using a 30-year degree day average. Bloomfield Testimony at 3, 7. He also stated that there has been no change in Concord Steam's customer base during the past year. Bloomfield Testimony at 8.

According to Mr. Bloomfield, Concord Steam continued to use thermal imaging to document the conditions of its lines and to locate and repair steam leaks. The Company also

completed a system survey which will continue to be an important part of maintaining the system. Bloomfield Testimony at 8.

4. Cogeneration Operations

Concord Steam reported that its cogeneration operations, selling excess electricity and avoiding the purchase of power, resulted in net savings to Concord Steam, and thus to customers, of about \$126,000 over the past year. Bloomfield Testimony at 9; Hearing Exhibit 1 at Schedules CB-1 through CB-5.

5. Status of the New Steam Plant Project

Mr. Bloomfield provided up-to-date information regarding Concord Steam's new steam plant project. Concord Steam is negotiating for the construction of a 16 megawatt steam plant at its South Main Street location, and Mr. Bloomfield testified that that the negotiations should conclude this fall. If successful, this new plant would come on line in late 2015 or early 2016. Concord Steam has alternative plans for retrofitting its current steam plant if the new plant cannot go forward.

B. Staff

In its closing, Staff stated that it completed its review of the Concord Steam COE filing for the upcoming period and recommended approval of the proposed rates. According to Staff, Concord Steam's demand forecast is consistent with that filed for previous years and there will be a reconciliation of forecast and actual costs. Any concerns that may arise related to the actual use and costs during the upcoming year would be addressed in next year's COE filing. Staff noted that the Commission Audit Staff reviewed the 2012 – 2013 reconciliation and found no exceptions.

III. COMMISSION ANALYSIS

Based on our review of the record we approve Concord Steam's proposed COE rate of \$20.83 per Mlb as being just, reasonable and lawful as required by RSA 378:7. Pursuant to the settlement agreement we approved in Docket No. DG 12-242, Concord Steam's base rate proceeding, Concord Steam properly incorporated steam production costs into the COE rate, subject to reconciliation. We note that Concord Steam's use of wood as its primary fuel should produce significant savings during the 2013-2014 COE period as compared to other fuel sources. We expect that Concord Steam will continue to keep Staff and the Commission informed as to the status of the new steam plant project, and be prepared to make required filings related to any steam purchase agreement with the new plant operator, and any issuance of debt and/or equity by Concord Steam related to the project.

Based upon the foregoing, it is hereby

ORDERED, that Concord Steam's proposed 2013-2014 COE rate of \$20.83 per Mlb. effective November 1, 2013, on a service-rendered basis, is APPROVED; and it is

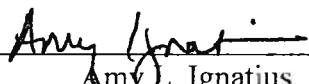
FURTHER ORDERED, that Concord Steam may adjust the approved COE rate of \$20.83 per Mlb. upward or downward monthly based on Concord Steam's calculation of the projected over or under-collection for the period, but the cumulative adjustments shall not exceed 20 percent of the approved COE rate; and it is

FURTHER ORDERED, that Concord Steam shall provide the Commission with its monthly calculation of the projected over- or under-calculation, along with the resulting revised COE rate for the subsequent month, not less than five business days prior to the first day of the

subsequent month, and shall include a revised tariff if Concord Steam elects to adjust the COE rate; and it is

FURTHER ORDERED, that Concord Steam file properly annotated tariff pages in compliance with this order no later than 15 days from the issuance date of this order, as required by N.H. Code Admin. Rules Puc 1603.


By order of the Public Utilities Commission of New Hampshire this thirtieth day of October, 2013.



Amy C. Ignatius
Chairman

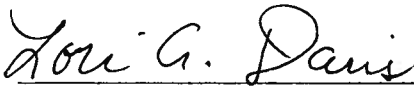


Michael D. Harrington
Commissioner



Robert R. Scott
Commissioner

Attested by:



Lori A. Davis
Assistant Secretary

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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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
EXEC 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.