

1 STATE OF NEW HAMPSHIRE

2 PUBLIC UTILITIES COMMISSION

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4 October 14, 2010 - 11:33 a.m.
Concord, New Hampshire5
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RE: DG 10-242
CONCORD STEAM CORPORATION:
2010 Cost of Energy.

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:
Alexander F. Speidel, Esq.

Court Reporter: Steven E. Patnaude, LCR No. 52
(Transcribed from audio tape)

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24**I N D E X****PAGE NO.****WITNESS: PETER G. BLOOMFIELD**

Direct examination by Ms. Knowlton 5

Cross-examination by Mr. Speidel 7

Interrogatories by Cmsr. Ignatius 16

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E X H I B I T S**EXHIBIT NO. DESCRIPTION PAGE NO.**

1 Concord Steam Corporation's 2010 Cost of Energy filing, including the Testimony of Peter G. Bloomfield, with attachments (09-10-10) 4

2 Supplemental Testimony of Peter G. Bloomfield, with attachments (09-28-10) 4

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Mr. Speidel 22

Ms. Knowlton 23

P R O C E E D I N G

CHAIRMAN GETZ: Okay. Good morning.

We'll open the hearing in Docket DG 10-242. Are we on?

And, I'll note for the record that, on September 10, 2010, Concord Steam filed its annual Cost of Energy rate for the period November 1, 2010 through October 31, 2011. The proposed rate is \$17.64 [\$16.64?] per thousand pounds, which is a decrease of \$1.19 per thousand pounds compared to the year ending October 31, 2010. And, that amounts to a decrease of approximately 4 percent on an average customer's total bill. The order of notice was issued on September 16 setting the hearing for today.

Can we take appearances please.

MS. KNOWLTON: Good morning, Commissioners. My name is Sarah Knowlton. I'm with the law firm of McLane, Graf, Raulerson & Middleton. And, I'm here today for Concord Steam Corporation. And, with me today from the Company is Mr. Bloomfield, the Company's only witness.

CHAIRMAN GETZ: Good morning.

MR. SPEIDEL: Good morning. This is Alexander Speidel for the Staff of the Commission. And, with me today I have Bob Wyatt and Steve Frink of the Commission Staff.

1 CHAIRMAN GETZ: Okay. Good morning.
2 I'll note for the record that it looks like we have the
3 affidavit of the publication, it's been filed.

4 So, are you ready to proceed,
5 Ms. Knowlton?

6 MS. KNOWLTON: We are. We have two
7 exhibits that we would like to mark for identification.
8 The first is the Company's September 10th, 2010 filing,
9 and the second is the September 28th, 2010 "Supplemental
10 Pre-Filed Testimony of Peter G. Bloomfield".

11 CHAIRMAN GETZ: Okay. Those two
12 documents will be marked for identification, respectively,
13 as "Exhibit 1" and "Exhibit 2".

14 (The documents, as described, were
15 herewith marked as **Exhibit 1** and
16 **Exhibit 2**, respectively, for
17 identification.)

18 MS. KNOWLTON: The Company calls Peter
19 Bloomfield. And, if I may, would it be okay for Mr.
20 Bloomfield to sit here at the table so that he can speak
21 into the microphone?

22 CHAIRMAN GETZ: That would be helpful.

23 MS. KNOWLTON: Thank you.

24 CHAIRMAN GETZ: And, I guess, if you can

[WITNESS: Bloomfield]

1 swear the witness.

2 MS. KNOWLTON: Mr. Bloomfield, would you
3 raise your right hand. Do you swear to tell the whole
4 truth and nothing but the truth, so help you God?

5 MR. BLOOMFIELD: I do.

6 MS. KNOWLTON: Mr. Chairman, I'm not a
7 JP. Am I authorized to swear a witness?

8 CHAIRMAN GETZ: Well, why don't I do it
9 then, just in case.

10 MS. KNOWLTON: All right. I just
11 realized.

12 CHAIRMAN GETZ: The belt and suspenders.
13 Please raise your right hand, Mr. Bloomfield. Do you
14 swear that the evidence you provide today is the truth,
15 the whole truth, and nothing but the truth?

16 MR. BLOOMFIELD: I do.

17 **PETER G. BLOOMFIELD, SWORN**

18 **DIRECT EXAMINATION**

19 BY MS. KNOWLTON:

20 Q. Mr. Bloomfield, please state your full name for the
21 record.

22 A. Peter Bloomfield.

23 Q. By whom are you employed?

24 A. Concord Steam.

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[WITNESS: Bloomfield]

1 Q. What is your position with the Company?

2 A. I'm President.

3 Q. What are your job responsibilities as president?

4 A. About everything, short of sweeping the -- well, I do
5 sweep the floors, too. But general management and
6 operation of the Company.

7 Q. Are you familiar with the document that's been marked
8 as "Exhibit 1" today?

9 A. I am.

10 Q. Can you identify for the record what that is?

11 A. Yes. It's a filing that I made in support of the Cost
12 of Energy filing, an increase -- a decrease, I mean.

13 Q. Was that prepared by you or under your direction?

14 A. Yes, it was.

15 Q. Do you have any corrections to Exhibit 1?

16 A. I do not.

17 Q. If I were to ask you the questions that are contained
18 in your testimony in Exhibit 1 today, would your
19 answers be the same?

20 A. Yes, they would.

21 Q. If you would look at what's been marked for
22 identification as "Exhibit 2".

23 A. Yes.

24 Q. Would you identify for the record this document.

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[WITNESS: Bloomfield]

1 A. It's testimony that I prepared in support of the
2 request for funding relative to the cost of energy in
3 this proceeding.

4 Q. Was this testimony you indicated was prepared by you?

5 A. Yes, it was.

6 Q. Do you have any corrections to that testimony?

7 A. No, I don't.

8 Q. So, if I were to ask you the questions that are
9 contained in Exhibit 2 today, would your answers be the
10 same?

11 A. Yes, they would.

12 MS. KNOWLTON: Thank you. I can make
13 the witness available for cross-examination, unless you
14 would prefer that we ask for more details with regard to
15 his prefiled testimony?

16 CHAIRMAN GETZ: I think we can move to
17 cross. Mr. Speidel.

18 MR. SPEIDEL: Thank you, Chairman.

19 **CROSS-EXAMINATION**

20 BY MR. SPEIDEL:

21 Q. On Page 3, Lines 14 through 15 of your testimony, Mr.
22 Bloomfield, you refer to an estimated "over charge of
23 \$9,874 [for] the previous Cost of Energy period." Is
24 the "previous period" you reference the 2009-2010 Cost

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[WITNESS: Bloomfield]

1 of Energy year that comes to a close on October 31st,
2 2010?

3 A. The "over charge" reference is the one that is the cost
4 -- is the period that would run from November of 2009
5 till the end of October of 2010.

6 Q. Thank you. Once the final 2009-2010 Cost of Energy
7 reconciliation is filed with the Commission and
8 audited, will the appropriate correction be factored
9 into the monthly Cost of Energy over/under calculation
10 for the current year Cost of Energy?

11 A. Yes, it will. We'll do a final reconciliation and that
12 will be factored in under our normal monthly
13 reconciliation calculations that we do.

14 Q. Thank you. On Page 5, Line 10, of your testimony, you
15 note that the anticipated cost of wood per delivered
16 ton to be "\$32, and follow up with three components of
17 the cost of wood described on Lines 11 through 12 of
18 your testimony that total \$26. Is there an additional
19 cost component added to arrive at the "\$32" per ton
20 figure?

21 A. Yes, it is. The \$32 a ton is the total all-in cost of
22 what it costs us to burn wood, including costs at the
23 yard, the wood yard. The actual delivered cost that we
24 pay the loggers, depending on the wood being provided,

{DG 10-242} {10-14-10}

[WITNESS: Bloomfield]

1 is in the neighborhood of \$24 to \$26 a ton at the
2 moment.

3 Q. Would you be able to itemize some of those costs within
4 the yard please?

5 A. Yes. In fact, they're listed on -- in the schedule,
6 would be on Schedule 8.

7 Q. Thank you.

8 A. Which is near the end of it, and it lists and itemizes
9 all of those operating costs of the wood yard.

10 Q. Thank you. On Page 7 of the testimony, within Lines 4
11 to 7, you discuss "pre-buying market wood" and storing
12 the wood off-site "for use later in the heating
13 season." By "market wood", are you referring to spot
14 purchases from any supplier?

15 A. Yes. Yes. We're paying market price, which is we --
16 the bigger problem we have right at the moment is that
17 there's more suppliers who want to give us wood than we
18 can take. So, we have to be selective and have to kind
19 of keep them on a quota. But, yes, we -- we are paying
20 the market price for wood as it comes into the storage
21 in the yard.

22 Q. Thank you. When you note within the same testimony
23 "off-site storage" of the wood, are you referring to
24 the Company's wood yard?

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[WITNESS: Bloomfield]

1 A. Yes, I am.

2 Q. Thank you. What type of price volatility does the
3 Company expect in the spot wood fuel market this
4 winter?

5 A. The price of wood oftentimes can be dependent upon the
6 weather. And that, if it's a wet fall and/or a warm,
7 wet spring, it can reduce the productivity of the
8 logging operations and restrict certain tracts of land
9 that they can't work in because the ground gets so
10 muddy. And, wood could -- could increase in price
11 under those conditions. But it would -- it would be an
12 unusual situation, and we expect the wood to be
13 fairly -- fairly stable. The wood pricing doesn't
14 bounce around very much. And, so, it's -- we expect it
15 to be in this target range. We'll be buying roughly
16 30 percent of our annual usage, we're going to have on
17 the ground in another few weeks in our storage wood
18 yard, and that will also help us mitigate any price and
19 wood availability issues that might come up.

20 Q. Thank you. Has the Company experienced any wood supply
21 disruptions in the past year?

22 A. No. No, we haven't. We had such a warm summer, dry
23 summer that the harvesting of wood was very easy and
24 there was an ample supply of wood.

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[WITNESS: Bloomfield]

1 Q. Has the new customer, the Rundlett Middle School, fully
2 converted its heating and hot water systems over to a
3 system that utilizes steam energy as its fuel?

4 A. Yes, it has.

5 Q. Do you know how the new heat and hot water system is
6 working out for the Rundlett School?

7 A. As far as I know, it's working well. I have not heard
8 any complaints, so I assume it's working good. I know
9 it is in operation.

10 Q. Thank you. If we could turn to Page 6, Lines 16 to 20,
11 of your original testimony.

12 A. Uh-huh.

13 Q. You make note of the United States Department of
14 Agriculture's B-C-A-P Program, or "BCAP Program". In
15 supplemental testimony, it is apparent that the Company
16 was successfully able to take advantage of the Program.
17 To summarize, are you seeking approval to use
18 approximately 30 percent of the \$95,000 BCAP subsidy to
19 purchase a thermal imaging camera and other materials
20 that will enable the Company to locate and prioritize
21 repairs of problem areas of the distribution system, is
22 that correct?

23 A. Yes, that's correct. Thirty percent for the purchase
24 of the equipment. And, then, there's other funds we've

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[WITNESS: Bloomfield]

1 asked for to install and implement those, that
2 equipment.

3 Q. Just by way of clarification, the remaining subsidy
4 balance accounting for approximately 70 percent of the
5 subsidy funds could then be used for the targeted
6 repair work resulting in immediate reductions in system
7 steam losses, is that -- is that correct?

8 A. There's -- there's some funds that are necessary to, as
9 I said, to install and implement that equipment that we
10 purchase. So, it's more closer maybe to 50 percent of
11 the funds that will be available for repair and upgrade
12 of steam line insulation.

13 Q. Thank you. The payback to customers from these
14 improvements will come in the form of immediate lower
15 cost of energy rates for years to come. With initial
16 savings off saving -- offsetting the subsidy not being
17 credited to the 2010-2011 proposed Cost of Energy rate
18 for a 2.5 year payback period, is this correct?

19 A. That's correct. And, the savings, as we improve the
20 system efficiency and reduce line losses are -- start
21 being effective immediately, actually. As the --
22 through our cost of energy reconciliation, if we find
23 that we're using less energy, then our energy prices
24 will -- will be dropping to the customers, if there's a

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[WITNESS: Bloomfield]

1 significant drop in the cost of energy.

2 Q. Thank you. On Page 6, Lines 16 through 20, of your
3 original testimony, you reference the "BCAP Program
4 subsidy paid by the U.S. Department of Agriculture...to
5 wood fuel suppliers" as resulting in more wood being
6 directly delivered to the plant. How did the BCAP
7 Program result in more supplies being directly
8 delivered to the plant?

9 A. Normally, during the period of February through --
10 through March and April, that's when the wood
11 harvesting tends to be reduced, that there's not as
12 much wood fuel available because of -- because of
13 weather and other issues. In addition, that's also
14 tend to be our high demand time, where we use most of
15 our wood during the heating season. And, so, it's
16 easier to coordinate with the loggers, that's why we
17 have all the wood in storage. Well, that's so that we
18 can take material out of our storage piles, and it's
19 easier, in terms of logistics, to make sure we have
20 enough wood.

21 With this -- with this subsidy program,
22 it was only in place for that February through April
23 time period. So, the loggers were -- it was well worth
24 their effort to work harder and push harder to get more

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[WITNESS: Bloomfield]

1 wood delivered to us directly. And, so -- so,
2 essentially, all of the wood that we consumed in those
3 months came directly from the woods to the yard, which
4 was unusual. Normally, we'd be taking more from our
5 storage, wood yard storage lot, and less from the woods
6 during those months, just as a matter of normal
7 operation.

8 Q. Thank you. If your BCAP subsidy related request is
9 approved, what is the expected length of time before
10 the Company would begin repairing distribution system
11 pipe?

12 A. It would depend on the repair. If it's a minor line,
13 and it's not too cold, meaning that we can shut
14 customers off for the -- for the short period of time
15 it might take to do the repair, we could start it
16 immediately. If, like there was a leak in the main
17 line in front of the federal building last year, we had
18 to put that off, even though it was discovered in
19 November, we had to put that off until spring, because
20 of the time it would take to repair that. So,
21 generally, I think you would find that we could start
22 that repair work almost immediately.

23 Q. Immediately after the approval is -- is handed done?

24 A. Yes. That's right.

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[WITNESS: Bloomfield]

1 Q. If it were to be handed down?

2 A. Yes.

3 Q. Thank you. Also, would you be able to provide, Mr.
4 Bloomfield, a summary of the current status of the
5 cogeneration plant project that the Company is involved
6 with?

7 A. Yep. As I've said, and it would be like a broken
8 record, we just can't seem to sell the last 27 percent
9 of the electricity that we have for sale. We've got
10 two utilities that are still hanging in there, still
11 want to buy the power. But we've got 27 percent,
12 roughly about 4 megawatts, that's remaining. So, we're
13 still working on trying to get that sold. One -- our
14 tack presently is to see if we can bundle our power and
15 they have a term "sleeve it" through a retail supplier
16 and sell all of our power directly to the State of New
17 Hampshire and its uses. And, in doing that, at the
18 same time, kind of use the -- a total energy package,
19 selling them steam and electricity. Because the
20 electricity is going to be slightly over market, but,
21 if they -- if we get the electricity sold, the new
22 project goes into place, and the State would save a
23 significant amount of money on steam sales. So, we can
24 bundle it such that their total energy package is no

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[WITNESS: Bloomfield]

1 more than it costs now and has some significant upside
2 of savings. That's our -- that's our tack at the
3 moment.

4 We're trying to talk with some State
5 agencies and some Governor Staff and that kind of
6 people to see if we can make that happen. It gets
7 complicated, but we're going to give it a try.

8 MR. SPEIDEL: Thank you. No further
9 questions.

10 WITNESS BLOOMFIELD: Thank you.

11 CHAIRMAN GETZ: Thank you.

12 CMSR. IGNATIUS: I do have some
13 questions.

14 BY CMSR. IGNATIUS:

15 Q. Let's stick with the new plant for a moment. Is there
16 an issue with the City on continued operation of your
17 existing plant as the new plant is delayed a bit in
18 construction?

19 A. We have an extension of our lease, we got a three year
20 extension through the Administrative Services folks.
21 And, it was -- it was the kind of situation where he
22 asked how long we needed, and I said "we'll take three
23 years." And, so, we got a three year extension. So,
24 the State Administrative Services and the City have all

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[WITNESS: Bloomfield]

1 been supportive. You know, we're, obviously, still
2 trying to make it happen.

3 Q. In the negotiations with the State over possible
4 combination of sales of steam and electricity, do you
5 have any expectation on when that might be resolved?

6 A. We're setting up a meeting with Mike Connor Monday
7 morning and -- and going through that process. You
8 know better than I do that -- how long it takes to get
9 something through the State. So, we'll see.

10 Q. On the BCAP Program, I noted in your testimony that you
11 were -- there was a possibility that the program might
12 be revived again and there might be further funds
13 coming. Is there any update on that?

14 A. They were -- they were supposed to have issued a notice
15 as to the terms of that the end of last month, and
16 still nothing has come out. So, we're still waiting.
17 It's supposed to be momentarily as to what the terms
18 are, whether it would still apply to existing
19 facilities. And, they have got a -- they're going to
20 be restructuring it. So, there's really no telling how
21 it's going to -- how it's going to be structured, how
22 it would apply, how long it would last, how much money
23 is involved, we'll have to -- we'll have to see. There
24 was a certain amount of money that was allocated. And,

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[WITNESS: Bloomfield]

1 the Program was so generous that everybody who possibly
2 could jumped on all at once and used up the -- all of
3 the funding in that three-month period, when it was
4 supposed to last two years. So -- so, we'll see how it
5 goes.

6 Q. Obviously, if new funds became available and were
7 awarded to Concord Steam, you would notify the Staff
8 and how you would propose to use that?

9 A. Yes.

10 Q. One of the uses you're proposing with those funds and
11 ways to book it, rather than all applied toward wood
12 sales for last year, you talk about being beneficial
13 for reducing losses on the system and some target
14 reductions. But I'm not sure I have anywhere where
15 your current losses stand?

16 A. They run approximately, it's about 9,000 Mlb a month,
17 it's relatively stable. It is about 30 percent, I
18 think, or so of total steam generated. That's what our
19 losses are now.

20 Q. And, it's stable going back how far?

21 A. It goes up and down slightly. But we've been seriously
22 tracking it for about six or seven years, I guess.
23 And, we think we've made some improvements, but we
24 still see a lot of -- a lot of room for improvement

{DG 10-242} {10-14-10}

1 there.

2 Q. In the leak in front of the Federal Courthouse that you
3 mentioned a few minutes ago, as I recall in a prior
4 proceeding, you had said there was a dispute between
5 Verizon or FairPoint over responsibility for that. Any
6 update on that?

7 A. We haven't heard any more. They asked us to help pay
8 for it, and we said "no", and that was the last we
9 heard. It was a kind of an issue where they put in
10 their equipment after the steam line was already there.
11 And, in putting in their equipment, they kind of
12 damaged the outside casing of the line that caused that
13 outside casing to rot. So that, when there was a --
14 when there was a steam leak elsewhere in the system, it
15 gave an avenue for the steam to go directly into their
16 wall. So, it was really nothing that -- that we felt
17 was any of our responsibility.

18 Q. Finally, I wanted to ask you to summarize again wood
19 prices, because I, although you said they don't bounce
20 around a lot, I kept getting different numbers and
21 wasn't sure where they were. Your Schedule 8 shows
22 that the delivered cost at the yard is \$26.

23 A. Uh-huh.

24 Q. The testimony said you were working with a \$32 price --

[WITNESS: Bloomfield]

1 A. That's correct.

2 Q. -- for this winter. So, what's the -- how do you get
3 between those two numbers?

4 A. Right. The price of wood delivered to us by the
5 logger, we pay them approximately \$26 a ton, and it can
6 vary depending on the kind of wood. If it's dry wood,
7 we might pay more, but it works out better for us.
8 But, so -- so, we actually pay the logger the \$26 a
9 ton, and, actually, we pay -- it averages out to 26.
10 We pay a little bit less for it coming directly, for
11 the wood that goes and gets deposited in the wood yard,
12 we pay a little more for wood that gets paid -- that
13 gets delivered directly to the plant, because the
14 logger and the trucker needs to have different
15 equipment for that. It averages out to the \$26 a ton.
16 It's like 24 and 27 or something that we pay.

17 And, then, the -- in looking at the cost
18 of operating the yard, operating the front-end loader
19 or the truck to and from the yard, the lease for the
20 yard, the diesel fuel and that kind of -- all those
21 miscellaneous operating costs relative to working the
22 wood yard, when blended into our total wood cost, it
23 makes our total cost of wood to average out to about
24 \$32 a ton.

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[WITNESS: Bloomfield]

1 Q. So, the 32 isn't what's paid to a logger, it's what's
2 paid to the logger, plus your other expenses in storing
3 and handling the wood?

4 A. That's right. Yes.

5 Q. And, you also said that last year, if I got this right,
6 it was about \$30 on average at the time?

7 A. That's right.

8 Q. Is that all-in price?

9 A. No. That -- that, actually, we were paying loggers
10 delivering wood to the plant \$30. We were paying them
11 less going to the yard, but wood to the plant was
12 being -- we had been paying \$30.

13 CMSR. IGNATIUS: I understand that.

14 Thank you.

15 WITNESS BLOOMFIELD: Yes.

16 CMSR. IGNATIUS: No other questions.

17 CHAIRMAN GETZ: Anything further,

18 Ms. Knowlton?

19 MS. KNOWLTON: I have nothing.

20 CHAIRMAN GETZ: Then, the witness is
21 excused.

22 WITNESS BLOOMFIELD: Okay. Thank you.

23 CHAIRMAN GETZ: Anything further,

24 Mr. Speidel, before opportunities for closing?

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1 MR. SPEIDEL: No, Mr. Chairman. Thank
2 you.

3 CHAIRMAN GETZ: Okay. Then, is there
4 any objection to striking the identifications and
5 admitting the exhibits into evidence?

6 (No verbal response)

7 CHAIRMAN GETZ: Hearing no objection,
8 they will be admitted into evidence. Mr. Speidel.

9 MR. SPEIDEL: Thank you. Staff has
10 completed its review of the Concord Steam Cost of Energy
11 forecast for the upcoming winter period and recommends
12 approval of the proposed rates in the Cost of Energy
13 filing. The demand forecast is consistent with those
14 filed by the Company for previous winter periods and
15 approved by the Commission. The forecast also reflects
16 important new steam load additions on the system for
17 Rundlett Middle School and McLeod's Florist.

18 The 2009-2010 Cost of Energy year will
19 close on October 31st, 2010. And, the NHPUC Audit Staff
20 will review those costs when the Cost of Energy
21 reconciliation is filed by the Company. Any discrepancies
22 between forecast and actual costs and collections can be
23 addressed through the monthly adjustment mechanism. Staff
24 supports the Company's request to use the B-C-A-P, or

1 "BCAP", subsidy to improve its steam leak detection
2 capabilities and make actual repairs of its most
3 significant system leaks, thus reducing its system losses
4 and, as a direct result, lowering its future cost of
5 energy rates to all steam customers.

6 CHAIRMAN GETZ: Thank you.

7 Ms. Knowlton.

8 MS. KNOWLTON: Thank you. The Company
9 asks that the Commission approve the Cost of Energy rates
10 as set forth in Mr. Bloomfield's prefiled testimony and
11 supporting exhibits that have been marked as "Exhibit 1".
12 As indicated in Exhibit 1, the Company has been prudent in
13 its efforts to minimize the cost of energy for the
14 upcoming heating system [season?] through the manner in
15 which it mixes fuel supply, wood, predominantly, and gas,
16 a little bit of oil. It's competitively bid out, the
17 natural gas that it purchases. And, as Mr. Bloomfield has
18 testified, you know, very actively manages the cost of
19 wood.

20 And, the Company has also been very
21 aggressive in seeking other sources of funding, the BCAP
22 being a good example, and working creatively to use those
23 funds to improve the service that it provides to
24 customers, which will have a direct impact on its energy

1 rates in the near future. So, we would ask that the
2 Commission approve the request as filed, and including the
3 use of the BCAP funds to reduce the steam losses in the
4 system.

5 CHAIRMAN GETZ: Okay. Thank you. Then,
6 we will close the hearing and take the matter under
7 advisement.

8 (End of recording.)

9 (Whereupon the hearing ended at 12:00
10 p.m.)

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