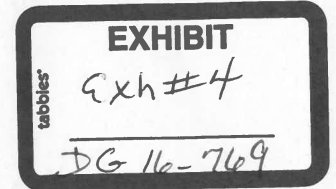


THE STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DG 16-769
Concord Steam Corporation
Petition for Emergency Rates and to Discontinue Service



TESTIMONY OF MICHAEL P. CONNOR

1 **Q. Please state your name, occupation and business address.**

2 A. My name is Michael P. Connor. I am the Deputy Commissioner of the New Hampshire
3 Department of Administrative Services. My business address is 25 Capitol Street, Room
4 120, Concord, New Hampshire 03301.

5 **Q. Please describe your educational background and professional experience.**

6 A. I have an Associate Degree in Applied Science in Air Conditioning, Refrigeration and
7 Heating and a bachelor Degree in Business Management. I have worked in the facility
8 management field for 40 years. I have been employed by the Department of
9 Administrative Services in various capacities over the last 39 years. In my current role I
10 have responsibility overseeing maintenance for approximately 92 state owned buildings,
11 building dealing and construction and procurement and support services.

12 **Q. Have you previously testified before the Commission?**

13 A. No. However, I have appeared before the Commission and presented information during
14 a status conference on February 10, 2016 in Docket IR 16-202, Concord Steam
15 Corporation: Investigation into Steam Plant Safety and General Operational Status.

16 **Q. What is the purpose of your testimony?**

1 A. The purpose of my testimony is to provide information on the technical and financial
2 challenges for the State created by Concord Steam Corporation's proposed
3 discontinuation of service, and to comment on the proposed emergency rate increase.

4 Q. **Please summarize your testimony.**

5 A. The State recognizes the need for Concord Steam to discontinue service due to market
6 conditions, an aging facility in need of significant capital investment, and significant
7 distribution losses that have driven increasingly uneconomic rates for Concord Steam
8 service and customer flight. However, the short lead-time for Concord Steam customers
9 to transition to alternative heating sources has created a significant hardship for the State.
10 Given the complexity of the conversion process in large, old, and sometimes historic
11 buildings, the State is not able to convert from steam heat prior to Concord Steam's
12 proposed discontinuance of service in May 2017. In order for the State to maintain heat
13 in the 25 state buildings currently served by Concord Steam, the State will need to install
14 temporary boilers to provide service for the 2017/2018 heating season. The State will
15 require access to a portion of Concord Steam's distribution pipes in order to utilize the
16 temporary boilers.

17
18 Further complicating the State's response to Concord Steam's proposed discontinuance
19 of service is the State's current lack of legal authority to enter into contracts or expend
20 funds to begin the design and construction process necessary to convert from steam to
21 natural gas. The State believes that it can complete the transition from steam to natural

1 gas by the Fall of 2018, but only with assistance from Liberty Utilities, and with
2 expedited legislation in the upcoming 2017 legislative session.

3 **Q. Please describe the State's reasoning for issuing a Request for Proposals to**
4 **transition the State's buildings away from Concord Steam service?**

5 A. For many years the State has recognized that significant cost savings could be achieved
6 by switching from Concord Steam service to natural gas fired boilers in the state
7 buildings. With the low cost of natural gas, even the prospect of a new or renovated
8 steam facility presented a higher cost to the State than a transition to natural gas fired
9 boilers, and the prospect for Concord Steam to obtain the necessary financing for such a
10 venture had been diminishing. In order to explore the cost and feasibility of a transition
11 away from steam, the State issued RFP # 2015-176 on June 12, 2015 seeking proposals
12 for energy performance contracting services including full fuel switching from Concord
13 Steam to other sources.

14 **Q. Would there be cost savings to the State by transitioning from Concord Steam to**
15 **other fuel sources?**

16 A. Yes. At current natural gas rates, the State anticipates an approximately 66% reduction in
17 annual heating costs to serve the 25 state buildings currently served by Concord Steam as
18 compared to the State's costs in 2015. When compared to the emergency rates proposed
19 by Concord Steam in this docket, the State would see a nearly 75% reduction in annual
20 heating costs using natural gas boilers.

21 **Q. Is the State able to complete the transition to other fuel sources within the**
22 **timeframe proposed by Concord Steam?**

1 A. No. Even if the State were able to begin contracting today for design and engineering of
2 a full conversion of the 25 affected state buildings to natural gas fired boilers, which it
3 cannot, the work could not reasonably be completed before the October 2017 heating
4 season. The affected state buildings have been divided into three categories based on the
5 level of difficulty of transitioning away from Concord Steam. There are six "A"
6 buildings that are relatively easy to convert, seven "B" buildings that require significant
7 design and custom work to convert, and twelve "C" buildings that require substantial
8 customization and complex designs. For some "C" buildings such as the State House,
9 State Library, and State Annex, an entirely new building will be required to house new
10 boilers. Many of the required boilers will need to be custom designed and some have
11 lead-times of up to 26 weeks for delivery. In short, it is a very significant engineering,
12 design and construction undertaking to transition all state buildings off of Concord
13 Steam, with an anticipated timeframe of 18 months.

14 **Q. What is the approximate cost of converting all of the State buildings from Concord**
15 **Steam service?**

16 A. Our estimated cost for the full project is approximately \$20,000,000. If natural gas prices
17 remain at current levels, the annual energy savings following conversion would pay back
18 the cost of the project in roughly 10 years.

19 **Q. You indicated that the State does not have the ability to begin contracting now, why**
20 **not?**

21 A. In order to enter into contracts for engineering and construction services, or for
22 equipment such as boilers, DAS must have available funds appropriated for capital

1 expenditures. Currently, DAS has no such available funds and only a limited amount of
2 emergency money available. DAS also does not at this time have legal authority to
3 borrow money for this work. Legislative authority is required to appropriate funds to
4 DAS and/or to authorize DAS to borrow funds.

5 **Q. How soon could DAS potentially get such authority or appropriations from the**
6 **General Court?**

7 A. Expedited legislation could theoretically be passed as early as late January 2017, but
8 more practically the necessary authorizations would not be available until March 2017.

9 **Q. If DAS begins contracting in March of 2017, how soon could the State complete the**
10 **transition from Concord Steam?**

11 A. We anticipate an 18-month process for design, engineering and construction. If that
12 process begins in March 2017, the project could be completed by the beginning of the
13 2018 heating season in October 2018 if no unexpected delays occur.

14 **Q. How will the State provide heat to the 25 buildings currently served by Concord**
15 **Steam after Concord Steam's proposed discontinuance of service beginning in June**
16 **of 2017?**

17 A. We have investigated temporary solutions to maintain heat in the affected state buildings
18 after Concord Steam's proposed shutdown, and have identified temporary steam boilers
19 as the most cost-effective and reliable solution. Temporary steam boilers fired by natural
20 gas could be connected to the existing steam pipe distribution network to continue
21 providing steam heat to the state buildings until transitioned to permanent systems.

22 **Q. What is the relative cost of temporary steam boilers to serve the State?**

1 A. Our current estimates from contractors show that the annual cost to rent temporary steam
2 boilers would actually be less than the State's current annual cost of service from
3 Concord Steam (before the proposed emergency rate increase) by over \$400,000.

4 **Q. How long would the State need to operate the temporary boilers?**

5 A. In order to maintain the integrity of the steam pipes following discontinuance of service
6 of Concord Steam, the State would need to install and operate the temporary boilers
7 immediately in June 2017. With an anticipated completion date of October 2018, the
8 State would need to operate the temporary boilers for approximately 16 months. If
9 construction of the permanent solution is delayed, the temporary boilers could be needed
10 for a longer period of time.

11 **Q. Does the State need any other rights to operate the temporary boilers?**

12 A. Yes. In order to use the temporary boilers to heat the state buildings, the State would
13 need to utilize a portion of Concord Steam's distribution steam pipes in the downtown
14 Concord area. The State owns the steam pipes on the Gov. Hugh Galen State Office
15 Park, but has no rights in the downtown Concord steam pipes. Without legal rights to use
16 Concord Steam's downtown steam pipes, the State will be unable to heat many
17 downtown buildings after Concord Steam's proposed closure.

18 **Q. Would the temporary boiler solution serve all 25 of the state buildings currently**
19 **served by Concord Steam?**

20 A. No. Two state buildings are located outside the range of the temporary boilers and would
21 need to be converted to natural gas boilers prior to the 2017 heating season: the State
22 print shop building, also known as the Storrs Street Warehouse at 12 Hills Avenue; and a

1 building located at 64 South Street that is currently used by DOiT. The State believes
2 that these buildings can be converted by October 2017 to ensure heat in the 2017/2018
3 heat season.

4 **Q. Given the lack of current spending authority and the tight timeframes involved, are**
5 **there any options available to the State to move more quickly?**

6 A. Without outside assistance, no. However, the State is in discussions with Liberty Utility
7 to obtain assistance to enable contracting to begin sooner and to facilitate the natural gas
8 and water connections needed to install and operate the temporary boilers. Liberty and
9 the State anticipate entering into a special contract, subject to Commission approval, such
10 that Liberty would incur some upfront costs and pass those costs through to the State on
11 the State's utility bill when the State begins taking natural gas service from Liberty in
12 June 2017. The special contract is anticipated to also include pass through costs for the
13 rental and operation of the temporary boilers. With this special contract in place and
14 approved by the Commission, and with the passage of expedited legislation enabling
15 funding of the permanent transition project, the State believes that it will be able to
16 successfully transition its buildings from Concord Steam service without disruption.

17 **Q. What is the State's position on Concord Steam's proposed discontinuance of service**
18 **in May 2017?**

19 A. While the timeframe proposed is short and will result in significant hardship to the State
20 and other Concord Steam customers, the State recognizes that Concord Steam's
21 continued operation would likely result in a greater economic hardship as rates inevitably
22 rise to meet the increasing costs of operating an aging plant and inefficient distribution

1 system with a declining customer base. Therefore, subject to a condition that Concord
2 Steam grant the State access to and use of the downtown Concord steam pipes to enable
3 use of temporary boilers, and in reliance on Liberty Utilities' offer to enter a special
4 contract with the State, subject to Commission approval, the State will not oppose
5 Concord Steam's proposed discontinuance of service.

6 **Q. What is the State's position with regard to Concord Steam's request for an**
7 **emergency rate increase?**

8 A. The State is already paying extremely high rates for its heat as compared to current
9 market alternatives, and Concord Steam proposes to significantly increase those rates.
10 Given the very compressed timeframe of this docket, the lack of discovery, and the
11 complexity of the rate proposal, the State has not had sufficient time to form a specific
12 opinion on the proposed emergency rates. The State strongly supports Staff's proposal
13 that the Commission approve temporary rates and afford the parties additional time for
14 discovery and the filing of testimony on the appropriate permanent emergency rate.

15 **Q. Does the State have any other concerns regarding Concord Steam's discontinuance**
16 **of service?**

17 A. Yes. As the owner of the steam generation facility operated by Concord Steam, the State
18 is concerned with potential liability for unidentified environmental contamination on the
19 site. To the extent that Concord Steam has caused any environmental contamination
20 during its operation of the plant, which is unknown at this time, remediation costs should
21 be included in Concord Steam's decommissioning costs for rate setting purposes. Given
22 the short timeframe before Concord Steam's proposed discontinuance of service, the

1 State urges the Commission to order an environmental site assessment to determine
2 whether Concord Steam has any environmental liabilities that should be included in final
3 rate setting.

4 **Q. Does this conclude your testimony?**

5 **A.** Yes, it does.