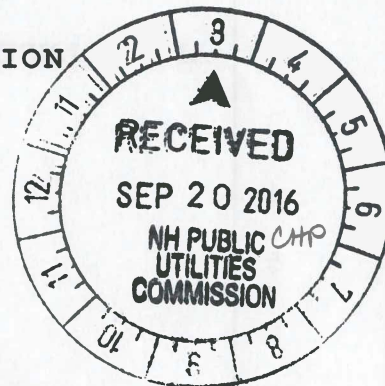


STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

September 6, 2016 - 9:40 a.m.  
Concord, New Hampshire



RE: DG 16-769  
CONCORD STEAM CORPORATION:  
Petition for Emergency Rates and  
to Discontinue Service.

**PRESENT:** Chairman Martin P. Honigberg, Presiding  
Commissioner Robert R. Scott  
Commissioner Kathryn M. Bailey

Sandy Deno, Clerk

**APPEARANCES:** **Reptg. Concord Steam Corporation:**  
Susan S. Geiger, Esq. (Orr & Reno)

**Reptg. Dept. of Admin. Services:**  
Christopher G. Aslin, Esq.  
Asst. Attorney General  
N.H. Department of Justice  
Cmsr. Vicki Quiram  
Dep. Cmsr. Michael Connor

**Reptg. Concord School District:**  
John Teague, Esq.  
Jack Dunn, Business Administrator

**Reptg. City of Concord:**  
Brian Lebrun, Dep. City Mgr. - Finance  
Carlos Baia, Dep. City Mgr. - Develop.

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



ORIGINAL

**APPEARANCES: (c o n t i n u e d)**

**Reptg. the Jordan Institute:**

Laura Richardson

James Monahan (Dupont Group)

**Reptg. PUC Staff:**

Alexander F. Speidel, Esq.

Mark Naylor, Dir./Gas & Water Div.

Stephen Frink, Asst. Dir./Gas & Water

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**P R O C E E D I N G**

CHAIRMAN HONIGBERG: We're here this morning in Docket DG 16-769, which is Concord Steam Corporation's Petition for Emergency Rates. It's related to another docket, 16-770, which is a petition to sell the assets of the Company to Liberty. This petition also requests a discontinuation of service. We have a number of things to do this morning.

But, before we do anything else, let's take appearances.

MS. GEIGER: Good morning, Mr. Chairman and Commissioners. I'm Susan Geiger, from the law firm of Orr & Reno. And I represent Concord Steam Corporation.

CHAIRMAN HONIGBERG: Somebody -- there's a lot of people here, somebody else must want to tell me who's here.

MR. ASLIN: Seeing no one ahead of me, I'll go ahead. I'm Chris Aslin, from the Attorney General's Office, on behalf of the Department of Administrative Services. With me are Commissioner Vicki Quiram and Deputy Commissioner Michael Connor.

1 MR. TEAGUE: Attorney John Teague,  
2 I'm with -- representing Concord School  
3 District. And with me is Jack Dunn, Business  
4 Administrator for Concord School District.

5 MS. RICHARDSON: Good morning, Mr.  
6 Chair and Commissioners. My name is Laura  
7 Richardson, representing the Jordan Institute.  
8 With me this morning is Jim Monahan from the  
9 Dupont Group.

10 CHAIRMAN HONIGBERG: Wait, Mr.  
11 Speidel. Looks like someone in the back wants  
12 to.

13 MR. LEBRUN: I'm Brian Lebrun and  
14 Carlos Baia. We're with the City of Concord.

15 CHAIRMAN HONIGBERG: I'm sorry, what  
16 did you say your name was, sir?

17 MR. LEBRUN: Brian Lebrun,  
18 L-e-b-r-u-n.

19 MR. SPEIDEL: Good morning,  
20 Commissioners. Alexander Speidel, representing  
21 the Staff of the Commission. And I have with  
22 me Stephen Frink, Assistant Director of the Gas  
23 and Water Division, and Mark Naylor, Director  
24 of the Gas and Water Division.

1 CHAIRMAN HONIGBERG: All right. I  
2 know we have one, I think, just one petition to  
3 intervene from the Jordan Institute. Has  
4 anyone else -- oh, yes, I'm sorry, you're  
5 right. Mr. Aslin, you filed a petition to  
6 intervene for the Department of Administrative  
7 Services. So, we have two petitions to  
8 intervene. The Concord School District and the  
9 City, does either of you intend to file a  
10 motion to intervene?

11 MR. LEBRUN: The City of Concord most  
12 likely will file a motion. We're going to make  
13 that decision this afternoon.

14 CHAIRMAN HONIGBERG: Okay.  
15 Mr. Teague?

16 MR. TEAGUE: I think it's fair to say  
17 we haven't reached a final decision. But, in  
18 all likelihood, we won't be intervening in this  
19 particular petition.

20 CHAIRMAN HONIGBERG: Okay.

21 MR. TEAGUE: We remain, obviously, an  
22 interested party.

23 CHAIRMAN HONIGBERG: Yes. As a  
24 customer, I can see that.

1 MR. TEAGUE: Right.

2 CHAIRMAN HONIGBERG: Anyone else?

3 *[No verbal response.]*

4 CHAIRMAN HONIGBERG: All right.

5 Ms. Geiger, I know you filed an objection to  
6 the Jordan Institute's motion to intervene.

7 Ms. Richardson, have you seen that?

8 MS. RICHARDSON: Yes, I have.

9 CHAIRMAN HONIGBERG: Do you want to  
10 say anything in response or add to anything  
11 that you've already said?

12 MS. RICHARDSON: Certainly. Thank  
13 you very much for this opportunity. These two  
14 dockets, 769 and 770, are very intermingled.  
15 This docket is moving at a very fast pace.  
16 There is some confusion as to what the process  
17 is. And, for that reason, Jordan Institute  
18 requested intervention on both dockets 769 and  
19 770.

20 Understanding that the original scope  
21 of content put forward in 769 was quite broad,  
22 and then it seems that the process was becoming  
23 more narrow and focused specifically on the  
24 emergency rates. And my concerns are that we



1 will then broaden out again in 769.

2 Again, 769 and 770 are really  
3 interconnected. Neither of these dockets  
4 mention energy efficiency anywhere in them.  
5 And, for that reason, I am concerned and would  
6 like to stay a party to this particular docket.

7 I could go on about energy  
8 efficiency, if you want, but --

9 CHAIRMAN HONIGBERG: Well, I know you  
10 could. The question is, how does your interest  
11 in energy efficiency translate into an interest  
12 in this proceeding that makes it appropriate  
13 for you to participate as an intervenor, as  
14 opposed to an extremely interested member of  
15 the public, who would follow closely everything  
16 that's going on and attend all of the public  
17 sessions, and provide us with informed comment  
18 on this matter?

19 MS. RICHARDSON: So, first, to be  
20 clear, our interest is very limited, focused on  
21 energy efficiency. But the emergency rates  
22 are -- that's one topic area that we really  
23 don't have comment on. However, the  
24 discontinuance of Concord Steam means that

1 something else has to happen, and that's the  
2 point where we are interested in being able to  
3 provide proactive technical support. That is  
4 the business that we're in, that is the work  
5 that our team does on different levels,  
6 different initiatives. And, for that reason,  
7 we would be affected by this potential loss of  
8 business.

9 CHAIRMAN HONIGBERG: Are you a  
10 customer of Concord Steam?

11 MS. RICHARDSON: We are currently a  
12 customer of Liberty Utilities through our  
13 landlord. Our landlord switched from Concord  
14 Steam to natural gas last year, because of the  
15 high price of fuel. And, so, they made the  
16 switch, and they're saving about 60 percent  
17 now.

18 So, I'm not a customer. Jordan  
19 Institute is not a customer.

20 CHAIRMAN HONIGBERG: Although I think  
21 the Company might want to put you on the stand  
22 related to the last statement you made.

23 All right. We're not going to rule  
24 on your motion to intervene at this second. We

1 may, after we've done a little other business,  
2 talk about it outside the room and give you a  
3 ruling, or we may just hold off for today.

4 Ms. Geiger, did you want to add  
5 anything before we leave that topic?

6 MS. GEIGER: No. Thank you, Mr.  
7 Chairman. As long as the Commissioners have my  
8 objection and have read it, I think all the  
9 arguments that I've made there are what I would  
10 say orally. So, I don't want to belabor the  
11 record.

12 CHAIRMAN HONIGBERG: Okay. Thank  
13 you.

14 MS. RICHARDSON: And thank you.

15 CHAIRMAN HONIGBERG: Does Staff have  
16 any position on the intervention?

17 MR. SPEIDEL: No. Staff takes no  
18 position, Mr. Chairman, at this time.

19 CHAIRMAN HONIGBERG: All right. With  
20 respect to the Department of Administrative  
21 Services, Ms. Geiger, you didn't file anything  
22 on that, did you?

23 MS. GEIGER: No. The Company has no  
24 objection to that petition for intervention.

1 CHAIRMAN HONIGBERG: Does Staff have  
2 any position?

3 MR. SPEIDEL: The Staff supports it,  
4 due to the importance of the Department of  
5 Administrative Services as a customer of  
6 Concord Steam.

7 CHAIRMAN HONIGBERG: All right.  
8 We'll be granting the Department of  
9 Administrative Services' motion to intervene.

10 Do we have any other preliminary  
11 matters we need to deal with? Ms. Geiger.

12 MS. GEIGER: The only thing I'd  
13 mention, Mr. Chairman, is that, under the Order  
14 of Notice the Company was ordered to file an  
15 affidavit of publication, which was done on  
16 August 10th. So, you have that in the docket.

17 CHAIRMAN HONIGBERG: Thank you. All  
18 right. I don't actually have it physically  
19 here, but I'm sure it's here.

20 All right. So, how are we going to  
21 proceed this morning? Ms. Geiger.

22 MS. GEIGER: Mr. Chairman, I was  
23 assuming, because the Concord Steam filed the  
24 Petition for Emergency Rates and to Discontinue

[WITNESS: Bloomfield]

1 Service, and because it has the burden of  
2 proof, that it would be going first.

3 CHAIRMAN HONIGBERG: All right. Why  
4 don't you proceed then.

5 MS. GEIGER: Thanks. I'd call  
6 Mr. Peter Bloomfield to the stand.

7 (Whereupon **Peter Bloomfield** was  
8 duly sworn by the Court  
9 Reporter.)

10 **PETER BLOOMFIELD, SWORN**

11 **DIRECT EXAMINATION**

12 BY MS. GEIGER:

13 Q. Could you please state your name for the  
14 record.

15 A. Peter Bloomfield.

16 Q. And where are you employed and what position do  
17 you hold?

18 A. President of Concord Steam Corporation.

19 Q. Have you previously testified in proceedings  
20 before this Commission?

21 A. Yes.

22 Q. Mr. Bloomfield, I'd like to show you two  
23 documents, both of which are dated July 19th,  
24 2016. Could you please identify them.

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[WITNESS: Bloomfield]

1 A. Yes.

2 Q. Would you please tell us --

3 A. Yes. Those are the two filings, a single  
4 filing, two books, that we submitted to the  
5 Commission.

6 MS. GEIGER: Mr. Chairman, I'd ask  
7 that they please be marked for identification  
8 as Book 1 of 2 -- "Exhibit 1", Book 1 of 2,  
9 "Exhibit 2", Book 2 of 2?

10 CHAIRMAN HONIGBERG: All right. So,  
11 the one that says on the cover "1 of 2" is  
12 going to be "Exhibit 1", 2 of 2 is "Exhibit 2".

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

18 MS. GEIGER: Thank you.

19 BY MS. GEIGER:

20 Q. Mr. Bloomfield, were the documents that have  
21 been marked for identification as "Exhibits 1"  
22 and "2" prepared by you or under your  
23 supervision or direction?

24 A. Yes. Yes, they have been.

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[WITNESS: Bloomfield]

1 Q. Did you prefile testimony in this docket?

2 A. Yes, I did.

3 Q. Is that prefiled testimony contained in Exhibit  
4 1 under Tab 4?

5 A. Yes.

6 Q. Do you have any corrections or updates to your  
7 prefiled testimony?

8 A. I do have a couple of minor corrections on Page  
9 6 of my prefiled testimony, which is Page 17 of  
10 Book 1. On Line 25, I refer to the estimated  
11 Cost of Energy that we were projecting for this  
12 next Cost of Energy season to be "\$25.43" an  
13 Mlb. We have finalized our Cost of Energy  
14 filing, and that has been reduced down to  
15 \$23.73 an Mlb.

16 There's also another minor correction  
17 related to some projected steam sales that  
18 also, as a result of working with newer sales  
19 numbers on the -- when I was working with the  
20 Cost of Energy filing that affected this filing  
21 for our overall projected steam sales. That  
22 was a slight decrease in projected steam sales,  
23 and it, on my Schedule A of this filing, of my  
24 testimony, it increased it about 16 cents or

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[WITNESS: Bloomfield]

1 so, from "\$37.37" to "\$37.53".

2 Q. Mr. Bloomfield, do you have a Bates number for  
3 the page that you just referenced, your  
4 Schedule A in Book 1? Would that be Page 41?

5 A. That would be Page 41. Yes, it would.

6 Q. Thank you.

7 CHAIRMAN HONIGBERG: So, can you  
8 repeat what the change is?

9 WITNESS BLOOMFIELD: The change,  
10 halfway down the page, the primary rate we  
11 proposed was "\$37.37", two-thirds of the way  
12 down the page in the center column, and that it  
13 would be "\$37.53" now. And the same 16 cent  
14 increase would follow down amongst those other  
15 two numbers.

16 BY MS. GEIGER:

17 Q. Mr. Bloomfield, on that same Page 41 of Exhibit  
18 1, halfway down the page there appears a number  
19 of "101,971", would that number also change?

20 A. Yes. That's correct. With the revised sale  
21 numbers, that "101,971" would change to  
22 "100,968".

23 Q. Thank you. Mr. Bloomfield, subject to the  
24 corrections and updates that you just provided,

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1 if you were asked the same questions today  
2 under oath as those contained in your prefiled  
3 testimony, would your answers be the same as in  
4 your prefiled testimony?

5 A. Yes, it would.

6 Q. Could you please briefly provide the  
7 Commissioners with a summary of your prefiled  
8 testimony.

9 A. The testimony -- the prefiled testimony  
10 explains our needs for temporary -- emergency  
11 rates, and describes the major expenses that  
12 must be recovered from customers during the  
13 remaining time that the Company stays in  
14 business. The requested rate is approximately  
15 23 percent of the total rate, which includes  
16 recovery of a small part of the investment in  
17 the plant and recovers -- and covers the cost  
18 of serving customers, as well as winding down  
19 the business.

20 It explains -- we tried to explain why  
21 we're seeking the Commission's approval to  
22 close the plant and to discontinue service.  
23 The primary reason is that the Company has been  
24 losing customers, and is now faced with losing

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[WITNESS: Bloomfield]

1 its largest customer, the State of New  
2 Hampshire, which has issued an RFP looking for  
3 proposals to convert its buildings from steam  
4 to natural gas.

5 The Company could have chosen to carry on  
6 for another couple of years, continuing to lose  
7 customers, and therefore continuing to have to  
8 seek higher rates, and losing customers and  
9 higher rates. So, at this point, we felt that  
10 the best choice of a series of bad choices of  
11 things that we could do, was to close, rather  
12 than continue to place larger and larger  
13 economic burdens on customers and just make  
14 life more difficult for all of our customers.  
15 So, we've opted to close its operations, which  
16 we believe is reasonable, considering what  
17 we're -- what is happening in the marketplace.

18 We're looking to provide the customers  
19 with an orderly conversion to another service  
20 provider in a fashion that minimizes the  
21 financial hardship on our customers. As a  
22 part, Liberty Utilities is going to assist us  
23 with working with our customers for the  
24 conversion, source of control, in an orderly

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[WITNESS: Bloomfield]

1 fashion, so that all customers wishing to take  
2 natural gas can be efficiently transitioned  
3 during this period before the upcoming heating  
4 season and before they're -- so that no one is  
5 without heat or steam at any particular time.

6 So, we believe that the sale and  
7 controlled closer is in the best interest of  
8 the ratepayers, the Company, and the Company's  
9 stockholders. We look forward to presenting  
10 further information in the Docket 16-770, which  
11 is scheduled for Friday.

12 Q. Mr. Bloomfield, do you have anything else to  
13 add to your testimony?

14 A. Just a few comments. We do appreciate Staff's  
15 review and consideration and their work and  
16 efforts that they have put in. We agree that  
17 the near term rate relief is necessary. And we  
18 agree with the Staff's recommendation that a  
19 temporary rate be applied. We also agree that  
20 the revenue requirement should be sufficient to  
21 fund operation, fund decommissioning, and pay  
22 off debt. We also certainly intend that we're  
23 going to put in no new investment, unless it's  
24 absolutely necessary for the safe and

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[WITNESS: Bloomfield]

1 consistent, reliable operation of the facility,  
2 maintain -- trying to maintain our expenses to  
3 a minimum.

4 There are a couple of issues that we --  
5 that we are not in agreement with the Staff on.  
6 One is that the Staff has suggested a rate of  
7 return of 3.59 percent, as opposed to what we  
8 requested at 7.58 percent. Our recent history  
9 over the past few rate cases have been, we have  
10 asked for a lower rate than what was allowed by  
11 statute. For the primary reason, for the --  
12 considered a short-term situation, in trying to  
13 minimize our rate increases to try and retain  
14 customers, so that we could continue and move  
15 forward with our overall future plans, we would  
16 hope to continue operation of the facility.

17 So, in the Staff's testimony, on Page 7,  
18 they note that we had entered into a settlement  
19 agreement in that 2008 docket, resulted in an  
20 effective overall rate of 3.22 percent.  
21 However, in that same -- in that same docket,  
22 the settlement agreement also agreed that  
23 Concord Steam had an allowed rate of return of  
24 over 8 percent, 8.04 percent. And, in the

[WITNESS: Bloomfield]

1 order approving the Settlement, the Commission  
2 recognized that the Company was voluntary --  
3 voluntarily foregoing an increase, to which,  
4 referring to the record, it might be reasonably  
5 be entitled.

6 So, in light of that, as well as the  
7 emergency nature of the circumstances of the  
8 Company, the Company believes that its return  
9 actually should be higher than normal. As a  
10 minimum, however, we believe that the overall  
11 return of 7.58 percent as requested is just and  
12 reasonable and should be approved.

13 The Staff, in another portion of their  
14 analysis, has projected that there should be a  
15 reduction in property taxes paid to the state  
16 and the city. And we don't disagree that that  
17 should happen. However, we don't know what  
18 that final number will be. We're in  
19 discussions with the people over at the  
20 Department of Revenue Administration on the  
21 valuation and what the property taxes is likely  
22 to be. So, that we're just -- we're holding,  
23 waiting to get some information back on that  
24 before we make a final decision as to what our

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[WITNESS: Bloomfield]

1 projected property taxes might be for this  
2 coming year.

3 And the final issue was one of omission.  
4 That, in our testimony and our schedules that  
5 we filed, as well as the filings that the Staff  
6 has made, there's been no allowance for any bad  
7 debt for nonpayment of steam invoices. We have  
8 a concern on that that, if we were to have to  
9 allow for that, we feel that that could add  
10 another, oh, could be as much as three or  
11 \$400,000 of revenue that we might invoice out,  
12 and either never collect or collect years in  
13 the future as liens are placed on buildings.

14 We're asking that, as a solution to that,  
15 that the Commission consider requiring Liberty  
16 Utilities to not actually turn on gas service  
17 to individual customers if there's outstanding  
18 bills from Concord Steam. The way that kind of  
19 follows through is, of our commercial  
20 customers, we feel that the governmental  
21 entities are likely to pay. The last four --  
22 three or four months of our projected year is  
23 something over \$550,000 of revenue we would  
24 expect from just commercial customers. If some

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1 percentage of those get their February bill,  
2 which we give to them in the beginning of  
3 March, and they don't -- it's not due until the  
4 beginning of April, and they delay payment on  
5 that to the point where we're approaching  
6 sometime in May, that they can just not pay,  
7 even if we turn their steam off, it's not a  
8 concern. So, there's a significant portion of  
9 our revenue that could be exposed to  
10 non-collection.

11 So, generally, much of what the Staff  
12 recommended the Company supports. However, we  
13 do ask that the Commission consider the issues  
14 of the rate of return and the bad payment --  
15 bad debt and nonpayment of invoices. Thank  
16 you.

17 MS. GEIGER: Mr. Chairman, the  
18 witness is available for cross-examination.

19 CHAIRMAN HONIGBERG: Mr. Aslin.

20 MR. ASLIN: Thank you, Mr. Chairman.  
21 The State has no cross-examination questions  
22 for Mr. Bloomfield. Thank you.

23 CHAIRMAN HONIGBERG: Before I turn it  
24 over to Staff, none of the other prospective or

[WITNESS: Bloomfield]

1 possible intervenors currently has a right to  
2 ask questions of Mr. Bloomfield. But, if you  
3 did have any questions, I mean, do any of you  
4 have any questions for Mr. Bloomfield?

5 Ms. Richardson, Mr. Teague or Mr. Lebrun?

6 Ms. Richardson?

7 MS. RICHARDSON: I do not. Thank you  
8 for asking.

9 CHAIRMAN HONIGBERG: Mr. Lebrun?

10 MR. LEBRUN: We do not have any  
11 questions at this time.

12 CHAIRMAN HONIGBERG: Mr. Teague?

13 MR. TEAGUE: We have none.

14 CHAIRMAN HONIGBERG: All right.

15 Mr. Speidel.

16 MR. SPEIDEL: Thank you, Mr.

17 Chairman.

18 **CROSS-EXAMINATION**

19 BY MR. SPEIDEL:

20 Q. This is a little bit reiterative of your  
21 earlier testimony, but this is for the benefit  
22 of our group here, just so that we make sure we  
23 got the figure correct. Do you indeed have a  
24 new sales forecast, Mr. Bloomfield, for the



[WITNESS: Bloomfield]

1 period you requested for emergency rates?

2 A. Yes, I do.

3 Q. Could you just reiterate that figure?

4 A. Yes. That is 109,368 Mlbs.

5 Q. Thank you so much for that. How did you  
6 develop the new sales forecast?

7 A. I looked at the most recent months that we had  
8 for our sales, as compared to the usage rate  
9 filing, which only looked at 2015. So, for the  
10 COE, I looked at basically half of 2016 and  
11 compared those numbers. So, it was a slight --  
12 a minor change in the estimate.

13 Q. Thank you. How does this sales forecast  
14 compare to the sales forecast in the Cost of  
15 Energy filing that the Company just filed?

16 A. It is similar. The primary difference is that  
17 the Cost of Energy filing only -- is only from  
18 November to May, and the usage rate filing is  
19 from October to May. So, the usage rate filing  
20 has an extra month in there that the COE did  
21 not.

22 Q. Thank you. Would you happen to have a sense  
23 of -- scratch that. Do you support Staff's  
24 recommendation to implement a temporary

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[WITNESS: Bloomfield]

1 emergency rate effective October 1st, pending a  
2 final resolution of all issues and setting a  
3 new rate effective November 1st? That's a  
4 little reiterative, we just want to get that  
5 specific answer on the record.

6 A. Yes, we do.

7 Q. Excellent. Based on the current sales  
8 forecast, what is the amount of revenue that  
9 will be generated from October sales at the  
10 Company's proposed rates compared to what would  
11 be generated if there was no rate increase?

12 A. Based on projected October sales, if there was  
13 no increase, the usage rate revenue, not COE,  
14 but just usage rate revenue, would be in the  
15 neighborhood of 130 to \$140,000.

16 With the increased rates, that would be  
17 approximately \$100,000 more than that, or  
18 somewhere near approximately \$240,000.

19 Q. Thank you. Is the Company planning to petition  
20 the Commission to increase its short-term  
21 borrowing limit?

22 A. Yes, we are.

23 Q. Would you please explain why?

24 A. We -- probably the biggest single reason was

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[WITNESS: Bloomfield]

1       our very warm winter last winter, and causing  
2       an unusual shortfall of steam sales. It was an  
3       order of magnitude of I think around \$400,000  
4       of sales, because of the very, very warm winter  
5       we had last winter.

6   Q.   When can the Commission expect to see the  
7       filing?

8   A.   We have only just finally gotten terms from the  
9       bank that we intend to use, and that filing we  
10      expect to have this week.

11  Q.   Has the Company, Mr. Bloomfield, been in touch  
12      with the Concord Housing Authority that's known  
13      as "CATCH"?

14  A.   Yes, we have.

15  Q.   You have?

16  A.   Yes, we have.

17  Q.   And could you just summarize the communications  
18      that you've had with them?

19  A.   We have talked with Mike --

20                   MR. SALTSMAN:  Reed.

21  **CONTINUED BY THE WITNESS:**

22  A.   Mike Reed. I was going to say "Green", I knew  
23      that wasn't right. Mike Reed. And we're  
24      working with him, and helping him explain to

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[WITNESS: Bloomfield]

1 the Liberty Utilities what his needs are. And  
2 we're working with them to determine what needs  
3 to be done for their building that they have  
4 downtown.

5 BY MR. SPEIDEL:

6 Q. And would you say that they seem to have a  
7 pretty good sense of preparation or readiness  
8 for the transition that's forthcoming?

9 A. Yes, very much so.

10 Q. Very good. Thank you. One last question, Mr.  
11 Bloomfield. Would you be able to describe to  
12 the Commission as to whom the stockholders of  
13 the corporation are?

14 A. The stockholders are myself and my business  
15 partner, Mark Saltsman.

16 MR. SPEIDEL: Thank you very much.  
17 Just one moment please.

18 No further questions for this witness  
19 from Staff. Thank you.

20 CHAIRMAN HONIGBERG: Commissioner  
21 Scott.

22 CMSR. SCOTT: Good morning. I have a  
23 few questions.

24 BY CMSR. SCOTT:

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[WITNESS: Bloomfield]

1 Q. In your testimony you talk about -- you propose  
2 or request a change to the rate structure to  
3 allow a 50 percent collar in the usage rate in  
4 the tariff?

5 A. Yes.

6 Q. I was curious, what's -- how did you arrive at  
7 "50 percent"? Why not 45 or --

8 A. There was no science to it. It's just I felt  
9 that we needed something more than the  
10 20 percent that the Commission allows us on our  
11 Cost of Energy. And a lot of it's because  
12 that, if we had a warm December, we need  
13 advance notice to change our rates. So, we  
14 can't change our rates for January. So, then,  
15 now we've got December and January, we have to  
16 go to actually the month of February before we  
17 can make a change in our rates to try and  
18 recover a shortfall in revenue. And, so, it's  
19 that delay of months that I'm concerned that we  
20 need a larger adjustment collar than we might  
21 otherwise.

22 Q. Thank you. And, if I read correctly, another  
23 area, at least based on testimony, that perhaps  
24 you and Staff are not totally in agreement

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[WITNESS: Bloomfield]

1 with, for company officers, you requested  
2 different compensation than the Staff was  
3 recommending, is that correct?

4 A. Yes. Yes.

5 Q. And is that still the case? You highlighted  
6 two areas earlier where you weren't in  
7 agreement. Is this a third?

8 A. It's not a -- it's not that big a number. I  
9 think what Staff has come up with is  
10 acceptable. I'm not going to argue against  
11 that.

12 Q. Okay. Thank you. Since the July filing, I was  
13 curious, is there any update on meeting the  
14 Fire Marshal requirements for repairs?

15 A. Yes. We've had the structural engineer's  
16 report submitted and the electrical engineer's  
17 report submitted. We have just finally got a  
18 draft of the safety -- fire safety report, and  
19 we're working with them to get that finalized.  
20 But the majority of that report has to do with  
21 stairs and railings that have been there since  
22 the plant was built. That the stair tread is  
23 nine and three-quarter inches, instead of  
24 10 inches, and that type of -- that's the

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[WITNESS: Bloomfield]

1 majority of the comments that we got back. So,  
2 we're working with them to finalize that  
3 report.

4 Q. And I'll take from that comment there's no  
5 structural issues with the building that would  
6 lead it to be abandoned or condemned or  
7 anything like that?

8 A. That's correct. Correct. There were a couple  
9 of items that were pointed out by the  
10 structural engineer that we have already taken  
11 care of, actually.

12 Q. So, am I correct that, based on what you're --  
13 based on the reports that you've prepared, you  
14 don't see that will have any significant  
15 bearing to change this particular docket for  
16 emergency rates?

17 A. That's correct. Yes.

18 Q. Okay. I was curious, I wanted to get a little  
19 bit -- delve a little bit deeper into the  
20 notification of customers. Have all the  
21 customers been notified of what's going on?

22 A. Yes. We've had -- obviously, there have been  
23 newspaper articles. We have sent letters out  
24 to all of our customers, talked to a number of

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[WITNESS: Bloomfield]

1 the -- we've talked to all of the largest  
2 customers directly. And we're going to be  
3 having yet another meeting with our customers  
4 and with Liberty Utilities in a couple of  
5 weeks, where we -- just kind of a face-to-face,  
6 so they can ask questions and we can come back  
7 and forth. And we'll have -- Liberty will have  
8 some contractors there. They will have some  
9 financing options available for the customers.  
10 And, so, they can explain all of that as to  
11 what's necessary. I think that's the 19th of  
12 September is when it's scheduled.

13 Q. Are you by chance aware, will Liberty have  
14 people there to talk about efficiency of  
15 devices that may or may not go in?

16 A. Yes. I know they do. That's been some of the  
17 things that we've discussed. It makes it a  
18 little -- to get into some of the technical  
19 issues, almost all of our remaining customers  
20 use steam. And, since they require steam to  
21 heat their buildings, they're not able to use  
22 the most efficient hot water boilers that are  
23 now available that can, you know, be 95 percent  
24 efficient. Steam requires a different system

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[WITNESS: Bloomfield]

1       and you can't quite get to that. So, if  
2       they -- some of the efficiency things that  
3       might be available to other entities, some of  
4       these older buildings, unless they completely  
5       redo the inside of the building and put hot  
6       water in instead of steam, they're going to  
7       be -- they're going to be somewhat limited as  
8       to what they can do.

9   Q.   And on the same topic, I was curious, since  
10       you've had some contact with your customers  
11       about this, is there a particular standard  
12       reaction? Are people okay or are they saying  
13       "no, I want to stay on steam no matter what the  
14       cost"?

15   A.   Well, I haven't heard that from anybody. But  
16       the general -- the general reaction is that not  
17       a -- no one is particularly surprised at it.  
18       You know, it's been a tough road these past few  
19       years, and everybody has been following it with  
20       interest. But, you know, everyone was not  
21       surprised when we finally had to pull the plug.

22   Q.   Okay. Earlier I was asking about compensation,  
23       so how many employees do you have?

24   A.   We have approximately 17.

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[WITNESS: Bloomfield]

1 Q. And does that include you and --

2 A. That would include me and Mr. Saltsman, yes.

3 Q. Okay. Thank you. In your filing, there is  
4 some mention of the Concord School District and  
5 the oversight in the tariff. And, if I  
6 understood correctly, the School District is  
7 paying you back or has paid back?

8 A. For the high school? The school has paid us  
9 back, yes. So, we're fully squared away with  
10 the School District on that.

11 CMSR. SCOTT: That's all I have.  
12 Thank you.

13 CHAIRMAN HONIGBERG: Commissioner  
14 Bailey.

15 CMSR. BAILEY: Thank you. Most my  
16 questions have been asked and answered, but a  
17 couple technical details in your filing.

18 BY CMSR. BAILEY:

19 Q. On Page 23, Bates Page 023 of your testimony,  
20 you mention an equipment lease that doesn't  
21 expire until 2020?

22 A. Yes.

23 Q. Can you tell me a little bit about that?

24 A. Yes. That was an equipment lease that was for

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1 a heat exchanger and pump set for the CATCH  
2 housing in the Endicott Hotel at the corner of  
3 Main Street and Pleasant Street. It was part  
4 of the special contract that we had with them  
5 that we installed that equipment. And, so, we  
6 entered into a lease to pay for that equipment  
7 when it was -- when it was installed.

8 Q. And what's the plan now to pay that off?

9 A. That's one of the things that we're working  
10 through with CATCH to see if they need that  
11 equipment or not. CATCH is one of the few  
12 customers that is actually using hot water.  
13 And they could put in a hot water condensing  
14 boiler, in which case they would not need any  
15 of the heat exchangers and pump sets and that's  
16 the such that we had installed. So, I suspect  
17 it's going to end up being taken out and sold  
18 for probably, basically, scrap. And, then, we  
19 will have to pay off the remainder of the  
20 lease.

21 Q. So, you leased the equipment to them, but you  
22 also leased it from someone?

23 A. We leased it -- no, no. No. We leased the  
24 equipment from the manufacturer of the

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1 equipment. So, we bought that equipment on a  
2 lease basis.

3 Q. Okay.

4 A. And we're going to have to pay off that lease  
5 because it's been in service for four years now  
6 or something.

7 Q. Okay. Can you talk a little bit about the  
8 short-term debt and what you need that for? I  
9 understand that you've had less revenue last  
10 year than you expected.

11 A. Right. Less revenue, and we're -- we're being  
12 so seasonal that right now our sales revenues,  
13 you know, are 45 days behind our expenses. So,  
14 we're buying wood, we're paying for gas. And,  
15 as we do that, as we get closer and closer to  
16 cooler weather, those bills go up, and we don't  
17 have offsetting revenue to allow for that. So,  
18 it's just a temporary cash flow situation that  
19 will be -- we expect to peak somewhere in  
20 December/January, and have it down to a minimum  
21 by next spring.

22 Q. Okay. And the "temporary rate" idea, that's to  
23 set these rates that we're talking about today  
24 on a temporary basis for one month?

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[WITNESS: Bloomfield]

1 A. Yes. That's correct.

2 Q. And, then, you're going to reconcile the  
3 difference between that, and how are we going  
4 to determine, will we have another hearing on  
5 these permanent emergency rates?

6 A. I think that is the intent. Although, I think  
7 Staff could probably answer it better. But I  
8 believe we're tentatively set up for another  
9 hearing for permanent rates, yes.

10 CMSR. BAILEY: Okay. Thank you.

11 CHAIRMAN HONIGBERG: And, with that  
12 last question and answer, all of my questions  
13 were asked and answered.

14 Ms. Geiger, do you have any further  
15 questions for your witness?

16 MS. GEIGER: I have a couple for  
17 redirect, Mr. Chairman. Thank you.

18 **REDIRECT EXAMINATION**

19 BY MS. GEIGER:

20 Q. Mr. Bloomfield, I believe you indicated in  
21 response to a question from Commissioner Scott  
22 that the Company was going to hold a public  
23 information forum on September 19th. Do you  
24 recall that question?

[WITNESS: Bloomfield]

1 A. Yes, I do.

2 Q. Is it, in fact, correct to say that that public  
3 information session will be held on  
4 September 21st, not September 19th?

5 A. I'm sure that's correct, yes.

6 Q. Okay. And I think Commissioner Scott asked you  
7 some general questions about customer notice.  
8 Do you remember that question?

9 A. Yes.

10 Q. Do you recall that the Company was required, in  
11 the Order of Notice in this docket, to send a  
12 letter to its customers informing them, among  
13 other things, of this docket, as well as a link  
14 to the Commission's website?

15 A. Yes. Yes. And we have sent those letters out.

16 Q. Okay. And I would like to show you a copy of  
17 the letter that you just referenced, and just  
18 to confirm that this is what you're talking  
19 about?

20 A. Yes. That is the letter we sent to all  
21 customers.

22 MS. GEIGER: Mr. Chairman, I'd like  
23 to, just for the record, have this marked as  
24 the next exhibit, simply because the Order of

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1 Notice required the Company to send out that  
2 letter, but it did not require the Company to  
3 file a copy of the letter with the Commission.  
4 And I just think, to make the record complete,  
5 and to confirm that we have made that  
6 publication or notice, that we have it in this  
7 record.

8 CHAIRMAN HONIGBERG: All right. That  
9 letter will be "Exhibit 3".

10 (The document, as described, was  
11 herewith marked as **Exhibit 3** for  
12 identification.)

13 MS. GEIGER: Thank you.

14 BY MS. GEIGER:

15 Q. I think this is the last question, Mr.  
16 Bloomfield. In your testimony, you've  
17 indicated areas of concern and disagreement  
18 with Staff's testimony. Do you recall that?

19 A. Yes.

20 Q. Is it fair to say that the Company reserves its  
21 right to explore additional issues in the next  
22 phase of this proceeding, assuming that the  
23 Commission agrees with the Staff's  
24 recommendation that we set a -- or, that it set

[WITNESS: Bloomfield]

1 a temporary emergency rate as of October 1st,  
2 and then we move into a permanent rate case  
3 proceeding?

4 A. Yes.

5 MS. GEIGER: Okay. Thank you. I  
6 have no further questions.

7 CHAIRMAN HONIGBERG: All right.  
8 Thank you. Mr. Bloomfield, you can return to  
9 your seat. Other witnesses that I'm aware of,  
10 I know Mr. Frink has filed testimony, and I  
11 believe this morning we got testimony from Mr.  
12 Connor for the Department of Administrative  
13 Services. I would think that, in the ordinary  
14 course, Mr. Connor would go next. Right, Mr.  
15 Speidel?

16 MR. SPEIDEL: I would agree, Mr.  
17 Chairman, yes.

18 CHAIRMAN HONIGBERG: So, I think,  
19 since we're probably going to need to take a  
20 break at some point, we're going to break now,  
21 for ten minutes or so. And, when we come back,  
22 Mr. Connor will testify, and then Mr. Frink  
23 will follow. All right?

24 We're going to take a short break.

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[WITNESS: Bloomfield]

1 (Recess taken at 10:22 a.m. and  
2 the hearing resumed at 10:40  
3 a.m.)

4 CHAIRMAN HONIGBERG: While Mr. Connor  
5 is moving up there, Ms. Richardson, we're going  
6 to deny your petition to intervene. We don't  
7 think you've demonstrated the kind of interest  
8 necessary for mandatory intervenor status.  
9 And, as for discretionary status, our shared  
10 interest and the Company's customers' interests  
11 in energy efficiency, while significant, are  
12 not an appropriate basis for intervention.  
13 But, as you know, you have lots of ways to  
14 follow the docket and participate in everything  
15 that's public and provide your comments.

16 And, if there's a like-minded  
17 intervenor or party out there that wants to use  
18 your expertise as a witness, that would be  
19 something you could explore. And I anticipate  
20 that you'll be attending the public information  
21 session and trying to interact with as many  
22 customers as possible. And it may well be that  
23 you have more of an interest after that than  
24 you do today.

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[WITNESS: Connor]

1 All right.

2 MS. RICHARDSON: Thank you.

3 CHAIRMAN HONIGBERG: We will proceed  
4 with Mr. Connor.

5 MR. ASLIN: Thank you, Mr. Chairman.

6 CHAIRMAN HONIGBERG: Wait. We'll let  
7 Mr. Patnaude do his thing first.

8 (Whereupon **Michael P. Connor** was  
9 duly sworn by the Court  
10 Reporter.)

11 CHAIRMAN HONIGBERG: Mr. Aslin.

12 MR. ASLIN: Thank you, Mr. Chairman.

13 **MICHAEL P. CONNOR, SWORN**

14 **DIRECT EXAMINATION**

15 BY MR. ASLIN:

16 Q. Mr. Connor, if you could please state your full  
17 name for the record.

18 A. Yes. Michael Connor.

19 Q. And where are you employed?

20 A. I'm employed by the Department of  
21 Administrative Services where I serve as the  
22 Deputy Commissioner.

23 Q. Okay. Thank you. Have you previously  
24 testified before the Commission?

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[WITNESS: Connor]

1 A. Not in a formal hearing, but I have provided  
2 information at others, including one in  
3 February.

4 Q. And was that Docket IR 16-202, Concord Steam,  
5 Investigation into Steam Plant Safety and  
6 General Operational Status?

7 A. Yes.

8 Q. Thank you. Mr. Connor, I'm going to show you a  
9 document that was filed with the Commission  
10 this morning, if you'd take a look at that  
11 please. And is that document there your  
12 prefiled testimony that was submitted to the  
13 Commission this morning?

14 A. Yes.

15 Q. And is that -- if you were to testify today  
16 under oath, would you testify to the same  
17 information that's in that testimony?

18 A. Yes.

19 Q. And do you adopt that testimony today as your  
20 direct testimony?

21 A. Yes.

22 MR. ASLIN: Thank you. If I could  
23 ask that this be marked for identification, I  
24 think we're at "Exhibit 4"?

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[WITNESS: Connor]

1 CHAIRMAN HONIGBERG: We are.

2 (The document, as described, was  
3 herewith marked as **Exhibit 4** for  
4 identification.)

5 MR. ASLIN: Thank you.

6 BY MR. ASLIN:

7 Q. Mr. Connor, do you have a copy of that  
8 testimony with you?

9 A. I do.

10 Q. Okay. If you would please give a brief summary  
11 of your testimony for the Commissioners?

12 A. Yes. As Mr. Bloomfield stated earlier, it's  
13 not a surprise that we're here today to talk  
14 about the plant closure. It's something that  
15 we've been dealing with for quite some time.  
16 It does have -- the relative time frame is  
17 short. It's imperative that the State obtain  
18 the support of Liberty Utility to operate a  
19 temporary plant, so that we can continue  
20 operations, to give us enough time to complete  
21 the engineering and install the required  
22 infrastructure. We have some pretty  
23 significantly -- significant facilities  
24 historically that will require an additional

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[WITNESS: Connor]

1 amount of work, especially the ones that are  
2 going to remain on steam.

3 We also need access to the distribution  
4 system that's around the State House Complex,  
5 so that we can use those temporary plant in  
6 order to stay operational. So, that is also a  
7 key.

8 And a third item that we would ask  
9 consideration of the Commission would be to  
10 conduct a Phase II assessment, in case there  
11 are any environmental issues there at the plant  
12 before Concord Steam closes, so we can identify  
13 any potential issues there.

14 Q. Thank you, Mr. Connor. And do you have any  
15 additions to your testimony?

16 A. I do not.

17 MR. ASLIN: All right. Mr. Chairman,  
18 Mr. Connor is now available for  
19 cross-examination.

20 CHAIRMAN HONIGBERG: Does anyone from  
21 the City, the School District, or  
22 Ms. Richardson, would you have any questions  
23 for Mr. Connor?

24 Ms. Richardson, if we were going to

[WITNESS: Connor]

1 allow you to ask questions, what would those  
2 questions be?

3 MS. RICHARDSON: Thank you, Mr.  
4 Chairman.

5 CHAIRMAN HONIGBERG: You're asking --  
6 you're directing this to me, not him just yet.

7 MS. RICHARDSON: Yes.

8 CHAIRMAN HONIGBERG: Let's find out  
9 what you want to know.

10 MS. RICHARDSON: So, my question to  
11 Deputy Commissioner Connor is regarding energy  
12 efficiency, and if there are plans that the  
13 state is undertaking to make their state-owned  
14 facilities more energy efficient, and what the  
15 initial time frame on that was? And, in turn,  
16 what -- how this change in schedule impacts  
17 their work, and, ultimately, the taxpayers, who  
18 are covering the costs of this? Thank you.

19 CHAIRMAN HONIGBERG: Mr. Aslin,  
20 there's a fair bit of testimony from Mr. Connor  
21 in this packet about the timing. This  
22 proceeding, however, is largely about the  
23 emergency rate. That doesn't strike me as a  
24 topic that you would want to emphasize today.

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[WITNESS: Connor]

1 But do you have an objection to your witness  
2 answering that question?

3 MR. ASLIN: I do not, Mr. Chairman.  
4 And I would agree, our testimony is largely  
5 directed at the discontinuance of service,  
6 rather than the emergency rates, which we do  
7 support the Staff's proposal for a temporary  
8 rate and further proceedings to implement  
9 permanent rates. But we have no objection to  
10 answering a few questions about energy  
11 efficiency.

12 CHAIRMAN HONIGBERG: Mr. Speidel or  
13 Ms. Geiger?

14 MS. GEIGER: Yes, Mr. Chairman.  
15 Obviously, we objected to the Jordan  
16 Institute's petition for intervention because  
17 we thought -- excuse me -- for one thing, that  
18 it would impermissibly expand the scope of this  
19 docket to include additional issues that are  
20 not implicated by a rate filing or a request to  
21 discontinue service. So, we would object to  
22 the question, because I think it starts  
23 treading into the area -- the area that I just  
24 expressed concern about.

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[WITNESS: Connor]

1 CHAIRMAN HONIGBERG: Mr. Speidel.

2 MR. SPEIDEL: Mr. Chairman, Staff  
3 would tend to echo the sentiments raised by  
4 Ms. Geiger, and also mention the fact that we  
5 understand that this is being filed -- the  
6 testimony of Mr. Connor is being filed as part  
7 of DG 16-769. We would hope, and one of my  
8 cross-examination questions will be, "will  
9 similar testimony or the same testimony be  
10 filed in the 770 hearing that's at the end of  
11 the week?" Because that's the more omnibus  
12 hearing regarding the transition plan between  
13 Liberty Utilities and Concord Steam.

14 If the questions about energy  
15 efficiency are appropriate at all, they would  
16 be appropriate in the 770 docket, not in the  
17 769 docket.

18 CHAIRMAN HONIGBERG: Mr. Speidel and  
19 Ms. Geiger have the better argument here. Is  
20 there anything else you would be interested in  
21 asking, Ms. Richardson?

22 MS. RICHARDSON: Not at this time.  
23 Thank you.

24 CHAIRMAN HONIGBERG: Mr. Teague?

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[WITNESS: Connor]

1 MR. TEAGUE: Nothing, Your Honor.

2 CHAIRMAN HONIGBERG: Mr. Lebrun?

3 MR. LEBRUN: Nothing, Your Honor.

4 CHAIRMAN HONIGBERG: All right. And,  
5 I guess, Mr. Speidel, you would probably be  
6 next.

7 MR. SPEIDEL: Thank you, Mr.  
8 Chairman.

9 **CROSS-EXAMINATION**

10 BY MR. SPEIDEL:

11 Q. This is a very simple question, Mr. Connor.  
12 Does the Department of Administrative Services  
13 intend to refile this testimony under the  
14 rubric of DG 7 -- I'm sorry, DG 16-770?

15 A. I would have to confer with my attorney first.

16 Q. Would you like to take a moment to do that,  
17 it's all right with me?

18 A. (Nodding in the affirmative).

19 MR. ASLIN: I'll come up to you.

20 MR. SPEIDEL: You stay there.

21 *(Mr. Aslin conferring with*  
22 *Witness Connor.)*

23 **BY THE WITNESS:**

24 A. It was not our intent to file as part of 770.

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[WITNESS: Connor]

1 MR. SPEIDEL: Okay. So, in that  
2 case, I will ask a couple of questions about  
3 this.

4 BY MR. SPEIDEL:

5 Q. Could you expand a little bit on the question  
6 of the Capital Square Loop, that is the service  
7 to the buildings that are located downtown,  
8 right in the adjacent area of the State House?

9 A. Uh-huh.

10 Q. Could you just explain what those buildings are  
11 and as to why it is important that there be a  
12 continuation of some level of steam service  
13 within that Loop? Just some of the physical  
14 plant aspects, the engineering?

15 A. Yes. Well, basically, a lot of those buildings  
16 are in an historic district, the State House  
17 particularly, the State Library, are very  
18 significant historic structures, including the  
19 Legislative Office Building. Those facilities  
20 are on steam directly right now. So, it would  
21 take a major retrofit in order to convert to  
22 natural gas.

23 Just to give you an example, the State  
24 Library, for instance, we're going to have to

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[WITNESS: Connor]

1 add a boiler room, and it could be subterranean  
2 in the parking lot in order to provide steam to  
3 those facilities. So, it's imperative that we  
4 have access to the existing distribution system  
5 for a temporary heating in order for us to do  
6 the proper design and construction, which could  
7 take up to 18 months to do that.

8 Q. Does the Department of Administrative Services  
9 have personnel with experience in steam  
10 operations of that sort, the distribution line  
11 operations?

12 A. No.

13 Q. No. What do you expect will be the process by  
14 which you acquire that expertise or the  
15 management experience for that physical plant?

16 A. Well, as far as the distribution system, we  
17 would look to work with Liberty Utilities and  
18 Concord Steam, as we have had discussions about  
19 what that might take place. We would have to  
20 contract out anything else as far as the  
21 operation of the temporary plant, that would be  
22 done probably through a hybrid of our own  
23 in-house folks and also a contractor.

24 CHAIRMAN HONIGBERG: Before you

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[WITNESS: Connor]

1 continue, Mr. Speidel, I'm confused now as to  
2 the process. Is this the last hearing on the  
3 merits of the schedule of Concord Steam's  
4 termination?

5 MR. SPEIDEL: Well, on the basis of  
6 Mr. Frink's testimony, there will be this  
7 hearing that will establish -- bear with me,  
8 because I've just come back from two weeks  
9 away, so it's just getting up to speed myself  
10 on some of the fine points. But, in general,  
11 there is a Phase 1 rate schedule that will be  
12 established under the emergency rate statute  
13 today. And, then, those rates will be  
14 freshened later in the autumn, and there will  
15 be the scheduling of a second hearing for those  
16 freshened rates under the emergency rate  
17 statute.

18 CHAIRMAN HONIGBERG: Okay. That's  
19 the rate side of the docket that we're talking  
20 about.

21 MR. SPEIDEL: Precisely. But, as far  
22 as the discontinuation of service, my  
23 expectation is, pending approval, and this is  
24 all -- these are all contingencies or

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1 conditional requirements that are built into  
2 the 770 docket. Because, if the 770 remedy is  
3 not approved, the discontinuation of service  
4 within this docket is not feasible, under the  
5 current conditions and under the current  
6 framework. So, assuming, and that's a big  
7 assumption, because I'm not a sitting  
8 commissioner, but Staff would expect that the  
9 Commission would approve a blended remedy in  
10 both dockets, after hearing both sets of  
11 evidence in both dockets, and being able to  
12 integrate the two pieces, the rate piece with  
13 the transfer of assets piece.

14 So, a lot of these parties, like the  
15 Department of Administrative Services, are  
16 coming in here at the present time trying to  
17 inform us how they're responding to the  
18 situation. And we're building a lot of record  
19 evidence about what they're doing to prepare  
20 and what their position is regarding these  
21 proceedings.

22 So, does that answer your question?

23 CHAIRMAN HONIGBERG: Sort of. I want  
24 to hear from Ms. Geiger, too.

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[WITNESS: Connor]

1 MS. GEIGER: I think that, from the  
2 Company's perspective, obviously, we made our  
3 filing for rates, as well as requested to  
4 discontinue service in this docket, and we  
5 would like certainty sooner rather than later.  
6 So that we would -- our understanding was that  
7 at today's hearing we would be sort of ending  
8 the discussion, if you will, on the  
9 discontinuation of service.

10 However, we're mindful of the  
11 companion docket that's being heard on Friday,  
12 that also bears on the issue of whether or not  
13 Concord Steam should be able to transfer its  
14 assets to Liberty, with the understanding that  
15 Concord Steam would be going out of business.

16 So, my -- I think, from a practical  
17 standpoint, while we believe that the record,  
18 you know, should close in this hearing on the  
19 discontinuation of service, there's going to be  
20 additional conversation around it on Friday.  
21 So, we understand that the two dockets are  
22 connected. We do understand that the State is  
23 a significant player here, in that there is a  
24 lot of concern about how the State will

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[WITNESS: Connor]

1 transition, assuming that the Commission allows  
2 Concord Steam to go out of business.

3 But my understanding from Mr. Frink's  
4 testimony was that Staff was only suggesting  
5 the temporary -- that the rate portion of this  
6 docket be extended to another permanent  
7 emergency rate hearing in October. That the  
8 discontinuation of service issues be confined  
9 to this docket, and either concluded today or,  
10 if there's more conversation around the issues,  
11 concluded on Friday.

12 MR. SPEIDEL: Maybe to avoid  
13 confusion, we kind of tack on the label of  
14 "interim emergency rates" for this proceeding,  
15 and then we would have the final emergency  
16 rates being discussed in October.

17 CHAIRMAN HONIGBERG: So, you agree  
18 then that this is the hearing on the merits  
19 regarding the fate of discontinuance of  
20 service, Mr. Speidel?

21 MR. SPEIDEL: Yes.

22 CHAIRMAN HONIGBERG: All right. You  
23 may proceed.

24 MR. SPEIDEL: So, thank you for that.

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1 BY MR. SPEIDEL:

2 Q. We were starting to talk about personnel.  
3 We've had an answer on personnel, and you  
4 indicated that you would have to receive  
5 assistance of either Liberty Utilities and/or  
6 Concord Steam?

7 A. Yes.

8 Q. Would that be done through some sort of  
9 services agreement between the Department of  
10 Administrative Services and one of those two  
11 companies or some third party that you're not  
12 aware of yet?

13 A. No. As I stated earlier, we're really looking,  
14 as part of this agreement, that Liberty  
15 Utilities would agree to provide the temporary  
16 service that we've requested, that's -- in  
17 order for us to have an adequate time to be  
18 able to convert to natural gas.

19 Q. So, you've essentially settled on Liberty  
20 Utilities being that service provider, at least  
21 for the time being?

22 A. Yes.

23 Q. All righty. Have they indicated that they are  
24 able to hire or have personnel on hand that



[WITNESS: Connor]

1 have familiarity with steam operations?

2 A. We've had discussions, but we haven't had any  
3 formal agreement to that.

4 Q. Okay. I'm almost putting my state government  
5 hat on right now in this regard. You have the  
6 level of confidence, though, that you will have  
7 competent operations personnel on hand to be  
8 able to engage in that Loop being operated  
9 after Concord Steam is terminating its service,  
10 is that correct?

11 A. Based on the assurances from Liberty Utilities,  
12 yes.

13 Q. Okay. Now, the second element is, who would be  
14 the owner of that loop of pipe downtown?  
15 Concord Steam, I presume, is discontinuing its  
16 service at the end of next spring. Would it be  
17 the State? Would it be the City of Concord?  
18 Have you roughed that out?

19 A. We're not looking to take ownership. We are  
20 just requesting access to those pipes so we can  
21 use those on a temporary basis.

22 Q. But, in terms of who would have ownership and  
23 title of those pipes, have you decided what the  
24 ownership and title --

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1 A. We have no interest to own those. We're just  
2 requesting that we have access to those for our  
3 use. So, we have not discussed that, no.

4 Q. Well, yes. And maintenance responsibility  
5 would be with?

6 A. I'm assuming that we would have maintenance  
7 responsibilities, but not ownership  
8 responsibilities.

9 Q. So, you would kind of have almost like a --  
10 sort of a functional easement. You would be  
11 able to legally access those pipes at your own  
12 leisure, but they would be owned almost like a  
13 common property of no one in particular. Is  
14 that kind of what you're getting a sense of?

15 A. Well, my understanding is that Concord Steam  
16 would still be in existence, even though they  
17 wouldn't have any access -- any assets. But  
18 they would still be there. So, the ownership  
19 is not something we're interested in.

20 Q. Hmm. Just one second.

21 (Mr. Speidel conferring with Mr.  
22 Frink.)

23 CHAIRMAN HONIGBERG: Interesting,  
24 Mr. Speidel, our rabbit ears picked up some

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1 little bits of your conversation, which I think  
2 are very similar to the conversation that's  
3 going on up here.

4 MR. SPEIDEL: Yes.

5 CHAIRMAN HONIGBERG: Would you like  
6 to put something on the record?

7 MR. SPEIDEL: Yes. Thank you, Mr.  
8 Chairman. That's very interesting. I think,  
9 given that this testimony came in this morning,  
10 and we're roughing out some of these  
11 ambiguities and questions surrounding the Loop,  
12 we think this might not be a bad time to take a  
13 brief recess, and just to simply have Mr.  
14 Connor and the representatives of the Company,  
15 and also the representatives of the City, as a  
16 matter of fact, and Staff, just to have a  
17 little discussion as to how this will be held  
18 and owned after Concord Steam terminates  
19 service as a public utility. We just want to  
20 figure that out, because we don't know what's  
21 going to happen right now.

22 CHAIRMAN HONIGBERG: And it seems  
23 like Liberty should be part of that  
24 conversation. I know there's a representative

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1 of Liberty in the room.

2 MR. SPEIDEL: Oh, good.

3 CHAIRMAN HONIGBERG: We're also  
4 discussing whether it is even possible to  
5 complete the record on the closing of the  
6 Company or the termination of the franchise  
7 based on what we have before us.

8 In reviewing the prefiled testimony,  
9 I'm not even sure we have a position from Staff  
10 on the record, that maybe it was going to be  
11 provided orally, is going to be provided orally  
12 by Mr. Frink. But it seems like no one's got  
13 that in writing in advance as prefiled  
14 testimony. So, we're concerned about the  
15 ability to close the record today on that  
16 issue. I know we have a hearing on Friday,  
17 that's in the other docket.

18 MR. SPEIDEL: Right.

19 CHAIRMAN HONIGBERG: And, at some  
20 point, those are going to be consolidated. I  
21 think you articulated something like that,  
22 Ms. Geiger articulated something similar. So,  
23 that be where we end up. But it may well make  
24 sense for you all to have a conversation about

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1        what the next thing that's going to happen  
2        today is, what the thing after that will be,  
3        and how we get from here through Friday, and  
4        then from Friday moving forward.

5                So, I'm going to take you up on the  
6        suggestion to take a recess. And we'll plan on  
7        fifteen minutes, and let us know if you need  
8        more time after that. All right?

9                MR. SPEIDEL: Thank you.

10               (Recess taken at 11:01 a.m. and  
11               the hearing resumed at 11:24  
12               a.m.)

13               CHAIRMAN HONIGBERG: Mr. Speidel.

14               MR. SPEIDEL: Thank you, Mr.  
15        Chairman. In questioning Mr. Connor, and just  
16        for the information of the Commission and the  
17        other parties, we don't intend to ask further  
18        cross-examination questions. We received an  
19        answer from Mr. Connor regarding their intent  
20        to use the steam pipes in the downtown Capitol  
21        Square area that's referenced on Page 6 of Mr.  
22        Connor's testimony. And his answer essentially  
23        reflected the fact that the State had no intent  
24        to take title and ownership to those actual

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1 pipes during the pendency period before the  
2 complete abandonment of those same pipes after  
3 the planned discontinuance of service by  
4 Concord Steam in 2017.

5 So, that answer, because it was left  
6 a little vague within the testimony, that  
7 answer was a little bit concerning to Staff,  
8 and we wanted to flesh out some of the issues  
9 regarding the ownership of those pipes after  
10 June of '17.

11 In general terms, Staff would not be  
12 comfortable making a recommendation of  
13 approving such a use if there is no title owner  
14 of record for liability reasons. And, for just  
15 general prudence reasons and reasons of  
16 precedent regarding abandonment of utility  
17 property, we would not want that to be used as  
18 some sort of common entity without any title of  
19 ownership.

20 So, we explored certain  
21 possibilities. It would appear that the most  
22 favored solution would involve the post June  
23 '17 Concord Steam shell corporation maintaining  
24 title and ownership to the pipes, allowing use

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1 by the State, the Department of Administrative  
2 Services, but having acquired some sort of  
3 liability insurance, probably through a  
4 lump-sum advance payment or some other  
5 mechanism, to be funded through these emergency  
6 rates, to ensure that there is coverage in case  
7 of an incident.

8 But there may be a feasibility  
9 problem there, where a shell corporation cannot  
10 acquire liability insurance properly for  
11 whatever cost, and, therefore, alternatives  
12 were mentioned and discussed. The possibility,  
13 not enthusiastically received, of the State  
14 acquiring title or, in the alternative, the  
15 City acquiring title, perhaps the Department of  
16 Transportation could acquire title. But all of  
17 those are not viewed as exactly favorable  
18 solutions. And perhaps Liberty Utilities could  
19 acquire title voluntarily.

20 In light of all of this, the Staff  
21 would suggest that the final determination on  
22 discontinuation of service be postponed for the  
23 second phase hearing, the freshening of the  
24 rates hearing. And I will allow Mr. Frink to

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1 discuss some of the scheduling aspects of that  
2 and his explanation of what Staff will be doing  
3 in the near future.

4 CHAIRMAN HONIGBERG: Mr. Frink, you  
5 want to do that now or you what to do that when  
6 you're testifying, since you're going to be  
7 testifying shortly? Yes.

8 MR. SPEIDEL: Okay. I gave it at his  
9 election. But you'd prefer to do that, that's  
10 fine.

11 CHAIRMAN HONIGBERG: All right.  
12 Mr. Aslin, Ms. Geiger, any comments on what  
13 Mr. Speidel just said?

14 MS. GEIGER: No.

15 MR. ASLIN: No. The State's fine  
16 with delaying a final decision on this issue,  
17 so we can work out the details.

18 CHAIRMAN HONIGBERG: Okay. So,  
19 Mr. Speidel, you have no further questions, is  
20 that what you said?

21 MR. SPEIDEL: No further questions.  
22 Thank you.

23 CHAIRMAN HONIGBERG: All right.  
24 Commissioner Scott.

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[WITNESS: Connor]

1 CMSR. SCOTT: Thank you. I think  
2 we're still in morning, good morning, Mr.  
3 Connor.

4 WITNESS CONNOR: Good morning.

5 BY CMSR. SCOTT:

6 Q. You mentioned, both in your testimony and from  
7 the stand, your desire to have a Phase II  
8 environmental assessment done?

9 A. Correct.

10 Q. Can you give me an idea of what you're  
11 envisioning a timing on that and who would pay  
12 for it and how much it would cost?

13 A. I do not know much it would cost. We would  
14 just like to have that assessment completed  
15 before Concord Steam -- before May 31 of 2017,  
16 so that, we can -- if there's any environmental  
17 issues, that we would know about those in  
18 advance.

19 Q. So, you're not requesting that those costs be  
20 incorporated into these emergency temporary  
21 rates, is that correct?

22 A. I would request that your consideration or the  
23 consideration of the Commission that it be  
24 incorporated into their rate structure, so that

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1       they be completed before their closure, the  
2       Phase II assessment, at their cost.

3   Q.   Okay. And do you have an idea how long such an  
4       assessment would take?

5   A.   Typically, a month or so.

6   Q.   Okay. And, if there were mediation required,  
7       then you'd want that, those costs also,  
8       obviously put in?

9   A.   Yes. At least we would all know what those  
10      are.

11                   CMSR. SCOTT: Thank you. That's all  
12      I have.

13                   CHAIRMAN HONIGBERG: Commissioner  
14      Bailey.

15                   CMSR. BAILEY: Thank you.

16   BY CMSR. BAILEY:

17   Q.   So, just so I make sure I'm understanding your  
18       testimony, you -- the State can't have fully  
19       converted the heating system to a permanent  
20       solution until the winter heating season of  
21       2018?

22   A.   Correct.

23   Q.   And that's contingent on getting legislation  
24       passed?

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[WITNESS: Connor]

1 A. Legislation and authority, the money and the  
2 authority.

3 Q. Okay. And, if that legislation did not get  
4 passed -- well, back up a sec. So, assuming  
5 that you can get it done by 2018, you have one  
6 heating season to cover between the time  
7 Concord Steam is requesting to shut down and  
8 the time you think you will have everything  
9 retrofitted?

10 A. Correct.

11 Q. And you're going to implement that using a  
12 temporary solution with Liberty running steam  
13 boilers using gas for the fuel?

14 A. Yes.

15 Q. And there are two buildings that the downtown  
16 distribution plant doesn't reach?

17 A. That's correct. Well, the two -- there are  
18 two, they actually reach them now, but they're  
19 not included in these temporary boiler  
20 scenarios.

21 Q. And will you get -- and will you be able to get  
22 a permanent solution for those two buildings in  
23 place before --

24 A. Yes. Pending approval of authority and/or

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1 funding in March of next year by the  
2 Legislature, yes.

3 Q. And what happens if that doesn't come through?

4 A. We'll have to have another solution for those.  
5 But our anticipation is that we'll have  
6 funding. But without, we'd have to go into  
7 another temporary -- a temporary boiler for  
8 each one, if we didn't get the --

9 Q. But you think that's possible?

10 A. Yes.

11 Q. So, now, it's your position that it's okay for  
12 us to approve a shutdown of Concord Steam as of  
13 May 31st, 2017, because you believe you can get  
14 the State what it needs if that happens?

15 A. Yes. Assuming that Liberty Utilities provides  
16 the temporary boilers, as they have stated,  
17 that we have the use of the steam pipes that we  
18 talked about originally at least around the  
19 State House Complex, and, obviously, the  
20 Legislature's approval for the necessary  
21 funding.

22 Q. And you're going to work on the -- how you're  
23 going to get the use of those steam pipes?

24 A. We need to resolve that, correct.

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[WITNESS: Connor]

1 Q. And we're going to talk about having that done  
2 at the next hearing?

3 A. Yes.

4 CMSR. BAILEY: Okay. All right.

5 Thank you.

6 BY CHAIRMAN HONIGBERG:

7 Q. Mr. Connor, following up on what Commissioner  
8 Bailey was just asking you, are you looking for  
9 us to direct some part of our order in this  
10 proceeding at Liberty, to direct Liberty to do  
11 something?

12 A. Liberty has assured us that they will be  
13 providing these temporary boilers. So, and  
14 that's part of this agreement, and it's the  
15 only way it's really feasible for us. So, we  
16 would want whatever agreement to stipulate that  
17 Liberty Utility actually follows up and  
18 provides the temporary boilers as they have  
19 stated.

20 Q. Understanding that Liberty is not a party to  
21 this proceeding, would you agree with me that  
22 it will be difficult for us to direct an order  
23 to Liberty in this proceeding, because they're  
24 not a party?

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[WITNESS: Connor]

1 A. In this proceeding, it might be challenging,  
2 yes.

3 Q. Would that -- would that perhaps militate in  
4 favor of you also participating in the other  
5 docket and providing us with some of the same  
6 information, but tailored to that docket as  
7 well?

8 A. I would think so, yes.

9 CHAIRMAN HONIGBERG: I think the  
10 other questions I had for you were answered.

11 Mr. Aslin, do you have any further  
12 questions for your witness?

13 MR. ASLIN: Yes, just a couple.  
14 Thank you, Mr. Chairman.

15 MS. GEIGER: Excuse me, Mr. Chairman.

16 CHAIRMAN HONIGBERG: Oh, did I skip  
17 you?

18 MS. GEIGER: Yes.

19 CHAIRMAN HONIGBERG: I'm sorry, Ms.  
20 Geiger. That's completely unlike me, I think.  
21 I apologize for that.

22 MS. GEIGER: That's okay. I just  
23 thought, before Mr. Aslin conducted redirect,  
24 he might be interested in some further

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[WITNESS: Connor]

1 cross-examination.

2 CHAIRMAN HONIGBERG: I'm sure  
3 Mr. Aslin, and as would we, I suspect. And I  
4 sincerely apologize for doing that. We got all  
5 flustered with the scheduling thing.

6 So, Ms. Geiger.

7 MS. GEIGER: Thank you.

8 BY MS. GEIGER:

9 Q. Mr. Connor, on Page 8, at the bottom of Page 8  
10 of your prefiled testimony, there's a question  
11 and answer regarding the State's concerns about  
12 "potential liability for unidentified  
13 environmental contamination on the site". Is  
14 that the State Hospital grounds site?

15 A. Yes. The plant itself. The steam plant  
16 itself.

17 Q. Okay. And you go on to say that "To the extent  
18 that Concord Steam has caused any environmental  
19 contamination during its operation, which is  
20 unknown, remediation costs should be included  
21 in the Concord Steam's decommissioning costs  
22 for rate setting", is that correct?

23 A. Yes.

24 Q. Now, the phrase "which is unknown at this

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1       time", I have some questions about that. Isn't  
2       it true that Concord Steam has already  
3       conducted some environmental remediation at the  
4       site?

5   A.   The only remediation that I'm aware of is the  
6       current tank, I believe they're cleaning the  
7       tanks now, and that's what I've been told, over  
8       the last couple weeks.

9   Q.   And "cleaning the tanks", by that do you mean  
10       that Concord Steam is in the process of closing  
11       oil tanks in accordance with the Department of  
12       Environmental Services' Underground Storage  
13       Program?

14   A.   They have told me that they're working with  
15       Environmental Services. But I'm not -- but I  
16       don't know how much information they have at  
17       this particular point in time.

18   Q.   And isn't it true that Concord Steam has  
19       remediating some asbestos issues at the plant?

20   A.   They may have done so, in order to do some  
21       repairs to the pipes. But it's certainly not  
22       in total, at least to my knowledge.

23   Q.   And what gives you the grounds to believe that  
24       there is any additional environmental



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1       contamination at the site beyond the issues  
2       that I just mentioned?

3   A.   I didn't say that I thought there was. I just  
4       wanted to determine before the plant was closed  
5       if, in fact, there were any.

6   Q.   And I think Commissioner Scott asked you what  
7       the cost of conducting a Phase II assessment  
8       was. Do you know or have any idea what that  
9       cost might be?

10  A.   I do not.

11                   MS. GEIGER: Thank you. I don't have  
12       any further questions.

13                   CHAIRMAN HONIGBERG: Now, Mr. Aslin.

14                   MR. ASLIN: Okay. Thank you.

15                   **REDIRECT EXAMINATION**

16  BY MR. ASLIN:

17  Q.   Mr. Connor, I wanted to go back to some of your  
18       testimony a minute ago about the agreement  
19       that's in process with Liberty Utilities. And  
20       would you agree that or could you clarify the  
21       funding of the temporary boilers, who will  
22       ultimately pay for those under the agreement  
23       with Liberty?

24  A.   Yes. Liberty Utilities would pay for that.

[WITNESS: Connor]

1 Q. And then would that cost be passed on to the  
2 State?

3 A. Yes, through some type of special tariff.

4 Q. And would that special tariff be something that  
5 the Commission would ultimately have to  
6 approve?

7 A. Yes.

8 Q. And, at this time, do you have an actual  
9 written agreement with Liberty Utilities?

10 A. I do not.

11 Q. But is one expected to be worked out in the  
12 near future?

13 A. Yes.

14 Q. Thank you. And with regard to the  
15 environmental liabilities, I believe you just  
16 testified that you're not aware of any  
17 additional potential liability or contamination  
18 at the site, is that correct?

19 A. That's correct.

20 Q. But you'd like to know if there is some before  
21 Concord Steam walks away?

22 A. Yes. That is true.

23 MR. ASLIN: Okay. Thank you. I have  
24 nothing further.

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[WITNESS: Connor]

1 CHAIRMAN HONIGBERG: Looks like  
2 Commissioner Scott has a follow-up.

3 BY CMSR. SCOTT:

4 Q. Attorney Aslin just asked you about a pending  
5 agreement with Liberty Utilities. Is it your  
6 expectation that if, for some reason, the  
7 docket on Friday, 16-770, if the Commission  
8 were to say "This is not a good thing for  
9 Liberty Utilities. No, you're denied." That  
10 they would still go ahead with this written  
11 agreement?

12 A. That would put the State in a very terrible and  
13 precarious position. So, I would -- without  
14 Liberty Utilities' assistance, it would be  
15 putting us at significant hardship and a  
16 significant cost.

17 Q. I understand that. What I'm trying to get at  
18 is, is it not your belief that Liberty's  
19 interest is contingent upon the outcome of  
20 Docket 16-770?

21 A. Yes.

22 Q. And that, therefore, a lot of the assurances  
23 being made are tied to a positive outcome of  
24 that?

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[WITNESS: Frink]

1 A. Yes.

2 CMSR. SCOTT: Thank you.

3 CHAIRMAN HONIGBERG: All right. Mr.  
4 Connor, I think you can return to your seat.

5 And I think Mr. Frink can probably  
6 replace you in the witness box.

7 (Whereupon **Stephen P. Frink** was  
8 duly sworn by the Court  
9 Reporter.)

10 **STEPHEN P. FRINK, SWORN**

11 **DIRECT EXAMINATION**

12 BY MR. SPEIDEL:

13 Q. Mr. Frink, good morning. How's it going?

14 A. Good morning.

15 Q. Do you recognize a document that bears your  
16 name and the date of August the 30th of 2016?

17 A. Yes, I do.

18 Q. And this is your direct testimony in this  
19 proceeding DG 16-769?

20 A. It is.

21 Q. Could you please state your full name, title,  
22 and position at the Commission.

23 A. It's Stephen P. Frink. I'm the Assistance  
24 Director of the Gas and Water Division.

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[WITNESS: Frink]

1 Q. And did you prepare this testimony as part of  
2 your responsibilities in this proceeding?

3 A. Yes, I did.

4 Q. Do you adopt all of its recommendations today  
5 before the Commission?

6 A. Actually, I am reconsidering the rate  
7 recommendation, given what we've heard today,  
8 and Staff's proposal that this is a temporary  
9 emergency rate, and that we will be resetting  
10 this rate following further discovery and a  
11 chance for additional testimony. The filing  
12 was made just barely a month ago. And I'm  
13 not -- I'm not all that comfortable with the --  
14 even though I've issued three rounds of  
15 discovery, that the situation is very fluid,  
16 and it sounds like expenses -- there are a lot  
17 of expense issues and other issues that are in  
18 the process of being resolved, that I think, in  
19 light of that, my recommendation is that, even  
20 though my initial positions I think are still  
21 the same, I believe that it would be  
22 appropriate for the Commission to set a  
23 temporary emergency rate at the requested rate  
24 that the Company has put forth. October is a

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[WITNESS: Frink]

1 very limited usage month. And, based on the  
2 testimony of the Company this morning, it would  
3 generate an extra \$100,000 in revenues in  
4 October. And we'd have the opportunity to  
5 adjust that going forward. So, I don't see any  
6 harm.

7 If you look at my testimony, on Page 1 of  
8 Attachment SPF-1, is a comparison of my  
9 recommendation, based on my review prior to  
10 filing my testimony, it's not really a  
11 significant difference. And I expect it will  
12 be something different yet when I file final  
13 testimony.

14 So, at this point, Staff would actually be  
15 more comfortable with a rate -- a higher rate  
16 that would allow for a little more flexibility,  
17 as far as what we can do with rates going  
18 forward. I do expect ultimately that Staff's  
19 position will be for a revenue increase that is  
20 something less than what the Company has  
21 proposed. But that my proposed \$1,244,028,  
22 that is going to change.

23 Q. So, let's run this to ground, Mr. Frink. What  
24 are you suggesting at the present time, in

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[WITNESS: Frink]

1 terms of testimonial presentations, would you  
2 prefer not to have your testimony marked as an  
3 official exhibit, and wait until you revise  
4 your testimony at the later proceeding in  
5 October? How would you like to proceed? We'll  
6 start with that. Would you like to have this  
7 marked as a hearing exhibit? We're doing this  
8 live. It's a little unusual. This doesn't  
9 happen every -- this doesn't happen in every  
10 proceeding that I've -- but we're responding to  
11 information that came to our hands 15 or 20  
12 minutes ago. So, Mr. Frink, would you like to  
13 proceed with the marking of this material as  
14 "Hearing Exhibit 5"?

15 A. I'm fine with that, yes.

16 MR. SPEIDEL: In that case, I would  
17 like to request that the Commission mark the  
18 August 30 testimony as "Hearing Exhibit 5"?

19 (The document, as described, was  
20 herewith marked as **Exhibit 5** for  
21 identification.)

22 CHAIRMAN HONIGBERG: All right.  
23 That's been done.

24 MR. SPEIDEL: Thank you very much.

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[WITNESS: Frink]

1 BY MR. SPEIDEL:

2 Q. Now, Mr. Frink, the so-called "temporary  
3 emergency rate" concept, so, what you just  
4 mentioned is that "well, at the present time  
5 there's some shifting in expenses, there's some  
6 uncertainty about what the final recommendation  
7 by Staff will be for the emergency rates", and  
8 that filters back into this concept that you  
9 presented in late August of a couple week ago,  
10 if that. Would you suggest that we defer a  
11 rate decision of any kind until October the  
12 5th, that seems to be the date? We'll explore  
13 that further, but --

14 A. The mechanism that I've proposed is essentially  
15 a temporary emergency rate that would allow the  
16 Company to start recovering on their proposal.  
17 And, then, have a hearing, and Staff has  
18 actually put a hold on a hearing date that's  
19 available here at the Commission of  
20 October 5th. What Staff intends to do is sit  
21 down with the parties and work out a schedule  
22 immediately following this hearing that would  
23 establish a period for discovery, most likely  
24 by the end of this week, and responses within a

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[WITNESS: Frink]

1 week's time, a technical session within a few  
2 days of that, and then a date for filing  
3 testimony approximately a week in advance of  
4 the hearing, so everybody's position will be  
5 known and in the record. And, at that point,  
6 on November 5th, is when, at this point, I  
7 would recommend approval of a permanent  
8 temporary rate and a mechanism that would --  
9 that would address all issues. For instance,  
10 should there be some kind of monthly  
11 reconciliation and monthly adjustments for  
12 usage rates? All those issues are on the  
13 table. I don't think any of those are -- I  
14 don't think you have enough of a record to  
15 implement anything at this point along those  
16 lines.

17 I do think there's enough of a record to  
18 justify an increase, the temporary emergency  
19 rate increase. And that's why I'm proposing  
20 this order rule -- you've already ruled on an  
21 intervention request, that's behind us, and  
22 then a temporary rate would be what would come  
23 out of this, and a procedural schedule.

24 Q. So, what you're saying is that this interim

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[WITNESS: Frink]

1 emergency rate, you're satisfied with the  
2 modifications made by Mr. Bloomfield this  
3 morning to the Company's original Exhibit  
4 1/Exhibit 2 rate proposal? You would be fine  
5 if that were implemented as of October the 1st  
6 within the context of this proceeding, is that  
7 correct?

8 A. That is my recommendation that that rate be  
9 implemented effective October 1.

10 Q. Okay. And, then, in the second subsequent  
11 adjustment proceeding, that you've mentioned  
12 will probably take place on October the 5th,  
13 there will be consideration of a freshened set  
14 of rate recommendations by Staff, potentially  
15 in concert in a settlement with the Company and  
16 other parties, we don't know that for sure.  
17 But, at least, in theory, there would be a  
18 freshened emergency rate recommendation brought  
19 forward by Staff as part of that, after  
20 discovery and testimony, and the final decision  
21 on discontinue of service would also be  
22 entertained by the Commission as part of the  
23 October 5th hearing, is that correct?

24 A. That is correct.

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[WITNESS: Frink]

1 Q. So, that's your final recommendation?

2 A. Yes, it is.

3 Q. For today's purposes?

4 A. Yes, it is.

5 Q. Very good. So, aside from that, there is some  
6 discussion I think within the Company's  
7 testimony regarding special contracts,  
8 discounted rates to certain of the Concord  
9 School District schools. Do you recall that at  
10 all?

11 A. Yes, I do.

12 Q. And the two schools in question, Abbott-Downing  
13 and Christa McAuliffe, those are the two  
14 schools, is that correct?

15 A. That's correct.

16 Q. Do you have any discussion that you'd like to  
17 bring forward regarding those two schools'  
18 contracts?

19 A. Yes. Those are -- that's a contract that  
20 Concord Steam and the School District entered  
21 into. And there isn't a written copy of the  
22 contract, but both the School and Concord Steam  
23 have told Staff that they were a mutual  
24 agreement. And the terms are similar to what

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[WITNESS: Frink]

1 was done for Rundlett. That essentially the  
2 schools paid for -- to hook up to steam, to  
3 take steam, and they funded it. And they were  
4 going to basically get their money back through  
5 a discounted rate over ten years, which was the  
6 bonding period, something to that effect. And,  
7 so, approximately two years ago, I believe,  
8 those schools started taking service under that  
9 rate, under that special contract, the terms of  
10 that special contract that was orally worked  
11 out under that rate.

12 And, so, it was never approved by the  
13 Commission, but, because there was no cost to  
14 Concord Steam to enter into that contract, and  
15 the additional sales benefited all ratepayers,  
16 because of the early termination, the School  
17 District will not recover the full cost of that  
18 investment, it seems fair and reasonable that,  
19 since service is being terminated for that,  
20 this eight-month period, the schools -- those  
21 two particular schools should not be required  
22 to pay the full rate. If temporary rates are  
23 approved at the recommended level of \$37, then  
24 that would be an added hardship to the schools,

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[WITNESS: Frink]

1       which are already disadvantaged from the fact  
2       that they won't recover their investment to  
3       take steam in the first place. And, again,  
4       entering into that contract, even though it  
5       never came before the Commission, it was  
6       beneficial to ratepayers, even at the rate  
7       they're currently paying.

8   Q.   So, could you please provide a brief summary of  
9       the status of any special contracts with other  
10      schools within the Concord School District,  
11      such as the high school, the determination the  
12      same or any other elements that you're aware  
13      of?

14   A.   The high school, there was a special contract  
15      entered into between Concord Steam and the  
16      Concord School District for a discounted rate  
17      that Staff filed a recommendation for  
18      recommending the Commission not approve it. In  
19      this filing, the -- well, since its filing,  
20      again, there's been discussions with the  
21      Concord School District and Concord Steam, and  
22      they worked out a letter of agreement that  
23      Concord Steam -- the School District had been  
24      paying the discounted rate, even though they

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[WITNESS: Frink]

1 didn't have an approved contract, on the  
2 assumption that it would get approved. Once  
3 they had Staff's recommendation, Concord Steam  
4 and the School District reached an agreement  
5 that said the School District decided to go  
6 ahead and pay the difference. So, they are  
7 fully paid up under the tariffed rates, and  
8 their agreement is that the high school will  
9 continue to be provided and pay full tariffed  
10 rates on their usage.

11 So, at this point in time, the high school  
12 is served under tariffed rates, Rundlett is  
13 served under a special contract approved by the  
14 Commission that expires in 2019, I believe.  
15 And Abbott-Downing and Christa McAuliffe are at  
16 a discounted rate that would be in effect for  
17 October through May.

18 Q. This is a little bit reiterative of your  
19 testimony, but could you please summarize your  
20 position on whether an emergency exists that  
21 justifies the imposition of emergency rates as  
22 part of this proceeding?

23 A. Yes. I didn't really address that issue. I  
24 think it's obvious to everybody in this room

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[WITNESS: Frink]

1 that continued operations of Concord Steam is  
2 impossible. The customer losses are too large.  
3 And, so, that's -- I think that's indisputable.  
4 They do not have a customer base to support  
5 continued operations, basically. Their rates  
6 cannot be competitive. And the reason they're  
7 in this position is because their rates weren't  
8 competitive for a number of years, and they  
9 were unable to find an investor that will --  
10 give them the means to address that situation.  
11 So, unfortunately, it's reached the point now  
12 where the publicity they have received and the  
13 State's plans, and it's just -- it's not  
14 feasible.

15 Q. So, in light of this emergency, would you agree  
16 that the rate schedules presented by the  
17 Company in Exhibits 1 and 2, as updated by Mr.  
18 Bloomfield today, there may be some technical  
19 disagreements by Staff regarding certain line  
20 items or the need to make certain adjustments  
21 in one direction or another, on the basis of  
22 events on the ground, as we've heard today,  
23 regarding the use of the steam line and  
24 potential Phase II assessments of the physical

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[WITNESS: Frink]

1 plant owned by the State and other elements.

2 But, by and large, you would say that there is  
3 a good analogue there in those rate schedules  
4 to establish the appropriateness of the rate  
5 relief sought by the Company. Would you agree  
6 with that?

7 A. Yes, I would. In my testimony, I actually  
8 state that, and it's true I accepted most of  
9 the Company's adjustments when they developed  
10 their revenue requirement. Since that time,  
11 obviously, there's been a fair amount of  
12 discovery I've put out, and the Company has  
13 been very responsive in getting back to me on  
14 those. But, as I said, things are very fluid.  
15 If there's going to be a environmental  
16 assessment, the funding for that assessment, if  
17 the Company is going to do it, needs to be  
18 reflected in those rates. If there's  
19 remediation required, that needs to be  
20 reflected in the rates. Because, come the end  
21 of May next year, there won't be any  
22 opportunity for the Company to acquire the  
23 funds to address those situations. So, those  
24 items need to be addressed. And the Fire

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[WITNESS: Frink]

1 Chief's, the reports there, and what that's  
2 going to cost, there were estimates in the  
3 filing, but we have better information now as  
4 to what those are going to be. I raised the  
5 issue of the -- of taxes. Perhaps they will  
6 talk to the City and the State, as part of this  
7 discovery process, and find out just what --  
8 what kind of relief they might get from that.

9 So, there's all sorts of things that are  
10 going on and all sorts of things to consider.  
11 And I considered them, to the extent that I had  
12 information to, or even that the Company had  
13 information to, as I say, that's still being  
14 developed. And we'll be in a much better  
15 position to make a recommendation three weeks  
16 from now than we are today. And I think that's  
17 true for everybody in this room. You'll have a  
18 better record. And, hopefully, we'll design,  
19 come up with a rate proposal that is fair to  
20 everybody, and we'll get the Company through  
21 the termination period.

22 Q. Mr. Frink, in terms of -- I have reviewed your  
23 testimony this morning. Have you seen or  
24 encountered any audit-related issues that were

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[WITNESS: Frink]

1 of concern within the context of these  
2 emergency rates or are these not necessarily  
3 brought through a formal audit review process?

4 A. Interestingly, there was an audit done on the  
5 Company's original rate filing. And the  
6 audit -- the Commission Audit Staff reviewed  
7 the original filing, which was based on a 2015  
8 test year, and this revised filing is also  
9 based on a 2015 test year. So, their audit was  
10 applicable to this. They did look at the  
11 filing and provided -- did a letter saying that  
12 there's no material differences in this filing  
13 from what was audited and reviewed. And,  
14 basically, there was very little difference  
15 between what the filing included and what was  
16 in the 2015 Annual Report. So, yes, there are  
17 no real audit issues to be addressed.

18 MR. SPEIDEL: Just one moment please.

19 (Mr. Speidel conferring with  
20 Director Naylor.)

21 BY MR. SPEIDEL:

22 Q. Mr. Frink, do you have any interim position by  
23 Staff on the question of the Phase II  
24 environmental assessments that are being

[WITNESS: Frink]

1 requested by the Department of Administrative  
2 Services?

3 A. Staff's or my position is that, I'm not an  
4 attorney, but it seems to me the Company's had  
5 the plant since 1980, and I think it would be  
6 very difficult to determine what their  
7 responsibilities would be from 1980 to today.  
8 And, ultimately, the State, through their  
9 emergency rates, would be paying the bulk of  
10 that cost anyway. And it's likely to be their  
11 liability in the end. So, my preference would  
12 be that -- that, if there's going to be -- I  
13 believe Staff's position is that this is  
14 unnecessary, and it's an added cost that Staff  
15 would rather not see that burden placed on the  
16 steam utility. So, that's my position.

17 Q. Okay. Mr. Frink, do you have any statements  
18 you'd like to make in updating your testimony,  
19 in light of what you've heard today, other than  
20 what we've heard thus far from you?

21 A. I would just like to say what my testimony  
22 said, that, and the Company also reiterated  
23 that, what we're trying to do here is come up  
24 with rates to fund operations through May of

[WITNESS: Frink]

1 next year, and to be able to decommission the  
2 plant and the distribution system, and to pay  
3 off existing debts. And that's -- I think the  
4 Company over the years has been very diligent  
5 in keeping their rates to a minimum. And I  
6 expect that will continue through this period.  
7 It is a -- while the rate burden is one thing,  
8 the conversion from steam to whatever source of  
9 energy customers will opt for, which, given the  
10 economics, I would expect it to be natural gas,  
11 that that's a big burden that customers are  
12 facing. So, it's certainly -- I think  
13 everybody is aware of that, and want to keep  
14 the rates as low as possible, while still  
15 allowing the Company to fulfill their  
16 obligations.

17 MR. SPEIDEL: Thank you very much,  
18 Mr. Frink. The Staff has no further direct  
19 questions for this witness. Thank you.

20 CHAIRMAN HONIGBERG: All right. If  
21 the non-intervenors who are here had any  
22 questions, what might they be? Ms. Richardson,  
23 do you have any questions for Mr. Frink?

24 MS. RICHARDSON: No questions at this

[WITNESS: Frink]

1 time.

2 CHAIRMAN HONIGBERG: Mr. Lebrun?

3 MR. LEBRUN: Yes. I guess I would  
4 just -- the only question I would have is  
5 regarding the request to have Concord Steam  
6 work with the City and State to reduce their  
7 property tax liability. Aside from I assume  
8 you know the standard process of valuing the  
9 property through the market approach, and then  
10 the tax is calculated based on that, was there  
11 something else that you had in mind, as far  
12 as -- usually, there's an abatement process  
13 that happens. So, it's not -- somebody just  
14 doesn't walk into the office and say "could you  
15 reduce my taxes."

16 CHAIRMAN HONIGBERG: Mr. Frink,  
17 before you answer that, Mr. Speidel, how do you  
18 feel about your witness answering a question  
19 like that?

20 MR. SPEIDEL: Well, tax assessment  
21 law is one of the most complicated areas of law  
22 to really try to opine on, and not only that  
23 it's a very facts-and-circumstances heavy area.  
24 I wouldn't feel comfortable with Mr. Frink

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[WITNESS: Frink]

1       speculating on this question at the present  
2       time.

3               CHAIRMAN HONIGBERG: Yes. I think,  
4       Mr. Frink not being a lawyer, probably not the  
5       right witness to direct a question like that  
6       to. So, we're not going to allow that  
7       question.

8               Is there anything, Mr. Teague, you  
9       would have, you would want to ask?

10              MR. TEAGUE: I think if Jack Dunn  
11       could be heard, he has a question.

12              CHAIRMAN HONIGBERG: All right.  
13       Mr. Dunn, what would your question be, if you  
14       were allowed to ask Mr. Frink a question?

15              MR. DUNN: Just as far as setting the  
16       permanent/temporary rates, do we have any idea  
17       how many customers are going to be leaving  
18       before this upcoming heating season that will  
19       potentially impact the heating rates for mostly  
20       the government and those that may be left?

21              CHAIRMAN HONIGBERG: Mr. Speidel?

22              MR. SPEIDEL: I would say that that  
23       would be a better question for Mr. Bloomfield.  
24       But I think Mr. Frink, we've, as Staff, have

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1       been deeply involved in this matter, and he may  
2       very well know an answer, and I could allow him  
3       to venture an answer.

4               CHAIRMAN HONIGBERG: Ms. Geiger or  
5       Mr. Aslin, do you have any objection to Mr.  
6       Frink offering an answer to that question?

7               MR. ASLIN: No objection.

8               MS. GEIGER: No objection.

9               CHAIRMAN HONIGBERG: Mr. Frink, do  
10      you understand the question?

11              WITNESS FRINK: Yes, I do. As you  
12      heard earlier from the Company, they have  
13      updated their sales forecast. That sales  
14      forecast, and actually the sales forecast in  
15      their filing in this proceeding, takes into  
16      account lost customers to date. And, during  
17      this discovery process and what we heard today,  
18      we'll be looking at the latest forecast and  
19      where that stands. There's a -- we'll be  
20      talking at that public forum, we may learn  
21      more. But it's getting very late in the season  
22      for customers requesting to -- requesting gas  
23      service to be able to transition. If service  
24      is required, I don't know that it's even

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[WITNESS: Frink]

1 possible at this point in time to get that done  
2 prior to next summer. So, I think probably  
3 where we're at is pretty close to where who  
4 will be paying through this winter.

5 MR. DUNN: Thank you.

6 CHAIRMAN HONIGBERG: Mr. Aslin, do  
7 you have any questions for Mr. Frink?

8 MR. ASLIN: No questions. Thank you.

9 CHAIRMAN HONIGBERG: Ms. Geiger?

10 MS. GEIGER: Yes, Mr. Chairman.

11 Given that Mr. Frink's oral testimony today  
12 appears to have superseded somewhat what his  
13 written prefiled testimony indicates, in terms  
14 of his full support for the full rate increase,  
15 at least on a temporary basis that the Company  
16 is seeking, I will forego cross-examination on  
17 that written testimony, with the understanding  
18 that at the permanent emergency rate hearing,  
19 if some of those recommendations in Mr. Frink's  
20 prefiled testimony are reinstated, we,  
21 obviously, will be questioning him on those  
22 issues.

23 But, right now, we have no questions,  
24 based on the fact that Staff is now

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[WITNESS: Frink]

1 recommending support for the as-filed rate on a  
2 temporary basis. And with the understanding  
3 that we would have the opportunity at the next  
4 hearing to delve further into Mr. Frink's  
5 opinions, if necessary.

6 CHAIRMAN HONIGBERG: Mr. Speidel, I  
7 understood Mr. Frink to be saying that he  
8 expected to file testimony after the next round  
9 of discovery, before the next hearing. Did you  
10 understand that as well?

11 MR. SPEIDEL: Yes.

12 CHAIRMAN HONIGBERG: All right.  
13 Ms. Geiger, I understand your position.

14 MS. GEIGER: Thank you.

15 CHAIRMAN HONIGBERG: I don't think I  
16 skipped anybody this time. Commissioner Scott.

17 CMSR. SCOTT: Thank you. And good  
18 afternoon, Mr. Frink.

19 WITNESS FRINK: Good afternoon.

20 BY CMSR. SCOTT:

21 Q. If, in DG 16-770, we were to deny the request  
22 of Concord Steam and Liberty Utilities, does  
23 that change your stance on the discontinuance  
24 date?

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[WITNESS: Frink]

1 A. No, it doesn't.

2 Q. You heard Mr. Bloomfield's testimony on the  
3 ROE?

4 A. Yes, I did.

5 Q. Did that change your position?

6 A. No, it hasn't.

7 Q. You may recall, I had a discussion with Mr.  
8 Bloomfield regarding the 50 percent usage rate  
9 adjustment?

10 A. Yes.

11 Q. Does that -- would that be impact -- is that a  
12 factor in this temporary emergency rate?

13 A. For the temporary emergency rate, no. But, as  
14 part of the permanent emergency rates, I do  
15 believe there will have to be some kind of  
16 mechanism that will allow for adjustments in  
17 the usage rate at some point, to ensure that  
18 they do have the funds for the decommissioning.  
19 So, if we don't adjust usage rates, I'm not  
20 sure that -- well, their proposal, and I have  
21 my own ideas on that, and it probably wouldn't  
22 be a 50 percent monthly fluctuation allowance,  
23 but something that may be tied to, if revenues  
24 are short, then they could come in for -- could

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[WITNESS: Frink]

1 make an adjustment, and then possibly -- well,  
2 a final credit or charge on that last bill that  
3 goes out. Because, at that point, there is no  
4 more -- no more funds available.

5 CMSR. SCOTT: I think that's all.

6 Thank you.

7 CHAIRMAN HONIGBERG: Commissioner

8 Bailey.

9 CMSR. BAILEY: Good afternoon.

10 WITNESS FRINK: Good afternoon.

11 BY CMSR. BAILEY:

12 Q. Your testimony is that we adopt the rate or the  
13 revenue requirement level that the Company  
14 asked for, but do so on a temporary basis?

15 A. Well, I'm suggesting you approve the rate that  
16 they have asked for, 37 something, whatever it  
17 was.

18 Q. 37.53?

19 A. Yes.

20 Q. Okay.

21 A. The revenue requirement at this point is  
22 irrelevant. We'll establish a revenue  
23 requirement, or you will, in the permanent  
24 hearing, the permanent emergency rate hearing.

{DG 16-769} {09-06-16}

[WITNESS: Frink]

1 Q. Okay. That's where my question was going. So,  
2 we're not making any determination about any of  
3 the adjustments that you initially recommended?  
4 We'll do that in the next --

5 A. Right.

6 Q. -- after the next hearing, and you'll update  
7 your testimony?

8 A. Yes.

9 Q. Okay. About the special contracts with  
10 Abbott-Downing and Christa McAuliffe that have  
11 never been approved, are they at the rate that  
12 the Rundlett special contract is at?

13 A. No, they're not. The Rundlett rate was -- is  
14 \$5.00 an Mlb, and their rates are \$3.80.

15 Q. And your recommending that we don't change  
16 that?

17 A. That's my recommendation.

18 Q. So, by default, we would be approving that  
19 \$3.00 per Mlb rate as a special contract?

20 A. I don't know if it's "by default". I would say  
21 it's intentional, that you're approving that  
22 number for those two schools.

23 Q. Can you give me some reason why we would do  
24 that? Like, I mean, does it cover their costs?

{DG 16-769} {09-06-16}

[WITNESS: Frink]

1 Does it cover the Company's costs?

2 A. Yes. It covers the utility's marginal costs.

3 And, as I said, basically, the schools paid to

4 hook up to Concord Steam. So, there were no

5 capital costs to Concord Steam associated with

6 that, with adding those customers. And, as far

7 as serving those customers, they serve those

8 customers, they don't really change anything as

9 far as what their operations are. So, there

10 really was no marginal cost to adding those

11 customers. And, even through the cost of

12 energy, for instance, the lease on the wood

13 yard is recovered through the cost of energy.

14 If they were paying any usage rate whatsoever,

15 the customers would still be advantaged from

16 the fact that some of those -- there are

17 certain costs that are normally in delivery

18 rates that are in the cost of energy, those two

19 schools will be paying through this greatly

20 reduced usage rate. So, it is -- it has been

21 advantageous to the other customers that those

22 customers were added, and will continue to be

23 the case going forward.

24 Q. So, the schools are paying the tariffed rates

{DG 16-769} {09-06-16}

[WITNESS: Frink]

1 for everything other than the usage rate?

2 A. Right. They pay the full cost of energy. When  
3 you set the cost of energy effective  
4 November 1, they will be paying that full rate,  
5 every monthly adjustment they pay those. So,  
6 they're paying the full cost for the energy.

7 Q. Okay. All right. So, do you know off the top  
8 of your head what the tariffed rate is that the  
9 schools are paying \$3.00 an Mlb for?

10 A. That, in the filing, they actually have the --  
11 in the Company's filing, I believe it's  
12 Page 41, you can see that the special  
13 contracts, seen right in the middle of the  
14 page, where it says "Steam sold at tariff  
15 rates", they back out Rundlett and they back  
16 out Abbott-Downing. So, special contract steam  
17 sales, 5,200 for Rundlett and 3,200 for the  
18 other two schools. So, 8,400 Mlbs are being  
19 sold at a discounted rate. The 5,200 is at an  
20 approved rate and 3,200 is not.

21 Q. What would other customers pay for those Mlbs?  
22 What rate per Mlb?

23 A. The current rate, on that same page, Bates Page  
24 041 of the Bloomfield testimony, you'll see

[WITNESS: Frink]

1        what existing rates are. So, for the first 500  
2        Mlbs, a customer is paying \$21.50. And the  
3        proposal now is 37.53 for October, and that  
4        will change on November 1. But, under the  
5        Company's proposal and Staff's recommendation,  
6        the usage at Abbott-Downing and Christa  
7        McAuliff, that 3,200 Mlbs would be at \$3.80.

8                    CMSR. BAILEY: Okay. I think that's  
9        all the questions I had. Thank you.

10    BY CHAIRMAN HONIGBERG:

11    Q.    Also regarding Abbott-Downing and Christa  
12        McAuliffe, Mr. Frink, do you have an  
13        understanding that it was a large capital  
14        outlay for the School District to hook up to  
15        steam?

16    A.    It was a -- I'm not -- it was a large  
17        investment, I seem to recall something in the  
18        magnitude of \$400,000 to do that.

19    Q.    And, so, what the structure of the deal was  
20        that they pay the reduced rate to recoup the  
21        investment they made to hook up, that was what  
22        they thought they were going to be getting?

23    A.    Yes.

24                    CHAIRMAN HONIGBERG: I don't think I

1 have any other questions for you, Mr. Frink.

2 Mr. Speidel, do you have any further  
3 questions for your witness?

4 *(Mr. Speidel indicating in the*  
5 *negative.)*

6 CHAIRMAN HONIGBERG: All right. Mr.  
7 Frink, you can return to your seat.

8 I take it there are no other  
9 witnesses, correct?

10 *[No verbal response.]*

11 CHAIRMAN HONIGBERG: I think, as it's  
12 been clear, we're not actually going to close  
13 the record on this proceeding today, because  
14 what's going on in the other docket is relevant  
15 to what happens here. So, if something were to  
16 happen in the other docket that would affect  
17 our decision, we would need to incorporate that  
18 into this record. Do the parties agree with  
19 that?

20 MR. SPEIDEL: Yes. Insofar as, if  
21 there was some major development in the 770  
22 proceeding that came to light on Friday, I  
23 would imagine that it's convenient that we have  
24 the same principals, except for the Liberty



1 company, of course, but the same principals on  
2 the Company's side and at the Department of  
3 Administrative Services' side and Staff's side  
4 that would be able to testify as to any further  
5 revisions that we may have.

6 CHAIRMAN HONIGBERG: And there are a  
7 few things we need to -- oh, Ms. Geiger, do you  
8 have anything to add?

9 MS. GEIGER: I was just going to add,  
10 with or without the issue of plant closure  
11 being considered, the Company is in need of  
12 immediate rate relief. The question then  
13 becomes at what level. And, so, with the  
14 understanding that we have the support of Staff  
15 for temporary rates, we would ask that the  
16 Commission put those into effect on  
17 October 1st, irrespective of what the outcome  
18 is in the other docket.

19 CHAIRMAN HONIGBERG: Right. And  
20 really what I was talking about had to do with  
21 the date of the termination. I wasn't -- I  
22 actually hadn't invited you to sum up just yet,  
23 but -- because we've got a couple things to do  
24 before we do that.

1 First, we have exhibits that were  
2 marked for identification. And I take it that  
3 1 through 4 are not a problem?

4 *[No verbal response.]*

5 CHAIRMAN HONIGBERG: And we will  
6 strike the ID on 1 through 4.

7 I'm not certain, however, that we  
8 should strike the ID on 5, because it seems to  
9 me that the witness essentially said "I'm doing  
10 something different than what I said in Exhibit  
11 5". And, while it's appropriate to have it  
12 marked, because it's part of the record and  
13 part of the discussion, I'm not certain that  
14 the ID should be struck. Mr. Speidel?

15 MR. SPEIDEL: Yes. And maybe my  
16 statement earlier provoked some mirth, but that  
17 was kind of what I was asking Mr. Frink in that  
18 line of questioning.

19 CHAIRMAN HONIGBERG: All right. So,  
20 we're not going to strike the ID on 5. It's  
21 not a full exhibit. And I don't think anything  
22 that Mr. Frink put in that prefiled testimony  
23 actually affects what his ultimate testimony  
24 was.

1                   Since this is the hearing on the  
2                   merits with respect to the matters here, we  
3                   should be making a time available for the  
4                   public to provide comments. There are  
5                   non-intervenors who are here, Ms. Richardson,  
6                   Mr. Teague, Mr. Lebrun, I see other members of  
7                   the public. Would anyone like to offer  
8                   comments to us regarding this docket, before I  
9                   invite the parties to sum up? I'll go  
10                  one-by-one. Ms. Richardson?

11                 MS. RICHARDSON: Not at this time.  
12                 Thank you.

13                 CHAIRMAN HONIGBERG: The thing is,  
14                 I'm not sure there's going to be another time,  
15                 to tell you the truth. So, I think we kind of  
16                 know your position on the timing, and maybe  
17                 you've already said everything you want to say  
18                 about that, and the reasons for it, and we  
19                 certainly appreciate that. Is there anything  
20                 you wanted to add?

21                 MS. RICHARDSON: Nothing more. Thank  
22                 you.

23                 CHAIRMAN HONIGBERG: All right. Mr.  
24                 Teague?

1 MR. TEAGUE: We have nothing further.

2 CHAIRMAN HONIGBERG: Mr. Lebrun?

3 MR. LEBRUN: Nothing further.

4 CHAIRMAN HONIGBERG: Is there any  
5 other members of the public who would like to  
6 provide comment to us on this docket?

7 *[No verbal response.]*

8 CHAIRMAN HONIGBERG: All right.  
9 Seeing none, now we'll give the parties an  
10 opportunity to sum up. Mr. Aslin.

11 MR. ASLIN: Thank you, Mr. Chairman,  
12 Commissioners. The State appreciates the time  
13 today, and from Staff and from everyone in the  
14 room, to work through these dockets -- this  
15 docket and this difficult question. From the  
16 State's perspective, as you heard from Mr.  
17 Connor, we believe that we have most of the  
18 pieces in place for the State to continue to  
19 heat its buildings during the period of time  
20 it's going to take the State to fully  
21 transition off of Concord Steam. We anticipate  
22 that it will be a one year temporary solution,  
23 but it could be longer, depending on  
24 construction issues as it goes. We have a

1 loose agreement with Liberty Utilities to  
2 provide assistance with the temporary solution,  
3 and we hope to finalize that agreement in the  
4 near future. And, as you heard, there's an  
5 issue with how we structure use of the downtown  
6 Concord Steam pipes for that temporary  
7 solution, which we hope also to resolve in the  
8 near future.

9 Overall, the State, while it's been a  
10 bit of a difficult stretch having this come not  
11 unexpectedly, but suddenly, I think, would be  
12 an accurate description, we've worked through  
13 most of the issues, and we've come to a  
14 position we can move forward. We fully  
15 recognize that continued operation of Concord  
16 Steam is not really in anyone's interest at  
17 this point, given the rates, the need for  
18 investment in the plant to continue on.

19 And we are willing to agree with the  
20 proposed discontinuance of service on the  
21 schedule that it has been proposed, but we are  
22 working out some final details that we hope we  
23 can present before the final hearing on this.

24 With regard to rates, we may have

1       some additional testimony and positions on the  
2       specifics of the permanent or final emergency  
3       rate that will be discussed at the next  
4       hearing. But we'll reserve all our rights to  
5       bring those issues forward at that time.

6               Thank you very much.

7               CMSR. SCOTT: Attorney Aslin, I just  
8       wanted to confirm. So, what I think I just  
9       heard you say, the Department of Administrative  
10      Services will be attending Friday's hearing, is  
11      that correct?

12              MR. ASLIN: Yes. We will be in  
13      attendance. We had not initially intended to  
14      file testimony, but we may revise that  
15      assessment.

16              CMSR. SCOTT: Thank you.

17              CHAIRMAN HONIGBERG: And, Mr. Aslin,  
18      your position on the temporary emergency rate  
19      is what?

20              MR. ASLIN: Sorry. The State is in  
21      support of the Commission approving a temporary  
22      or interim emergency rate for the month of  
23      October, subject to future proceedings.

24              CHAIRMAN HONIGBERG: We'll need to

1 maybe prepare a glossary of this filing.

2 MR. ASLIN: Yes.

3 CHAIRMAN HONIGBERG: We've got  
4 "temporary emergency", we've got "interim",  
5 we've got "permanent", and at one point  
6 Mr. Frink referred to "permanent temporary",  
7 and we were all looking around going  
8 [indicating] "well, he could not have meant  
9 that." So, thank you.

10 Mr. Speidel.

11 MR. SPEIDEL: Thank you, Mr.  
12 Chairman. On the question of terminology, I'll  
13 put in another plug for the concept of "interim  
14 emergency rate" and "final emergency rate",  
15 because we're dealing with the emergency rate  
16 statute. And Staff is of the opinion that an  
17 emergency does indeed exist under the emergency  
18 rate statute requiring immediate action.

19 We think that, as Mr. Frink testified  
20 orally today, that in the final analysis for an  
21 interim emergency rate, the proposal made by  
22 the Company, as updated slightly by Mr.  
23 Bloomfield, is a reasonable place to begin.

24 The devil is in the details for this

1 proceeding, and also the companion 770  
2 proceeding. We need to flesh out who will be  
3 the record owner and insured party for the  
4 steam pipes to be used by the Department of  
5 Administrative Services in the downtown office  
6 area loop. That's one element that has been  
7 brought to the fore today. We also need to  
8 know exactly what will be in and what will be  
9 out of the final emergency rate package. The  
10 Phase II issue I think will be considered by  
11 the Commission carefully, and some of the other  
12 ancillary elements that will be vetted and  
13 considered by the Commission carefully, as well  
14 as including the so-called "special contract  
15 rates", which, in Staff's opinion, are a subset  
16 of the emergency rates. They're dollar and  
17 cents figures, not necessarily terms and  
18 conditions. I think that's important to keep  
19 in mind, as far as what actual rate relief is  
20 being ruled upon.

21 Furthermore, I think that Staff, in a  
22 certain sense, in trying to have this scheduled  
23 as expeditiously as possible, may have erred on  
24 the side of haste. But, given the emergency,



1       it has helped to focus minds, and has enabled  
2       us to move this far and develop a decent record  
3       for the Commission to consider as of this date.  
4       But we will be developing the record further  
5       with more discovery and testimony in advance of  
6       October the 5th. And we will talk with the  
7       other parties about that today on a very  
8       informal basis.

9               We do expect that, on October the  
10       5th, things will be buttoned up to a greater  
11       extent than they are today. And we appreciate  
12       the Commission's willingness to hear our own  
13       testimony in this ongoing matter and for the  
14       Commission's forbearance.

15              Thank you very much.

16              CHAIRMAN HONIGBERG: Ms. Geiger.

17              MS. GEIGER: Yes. Thank you, Mr.  
18       Chairman. The Company appreciates Staff's  
19       efforts in reviewing the filing on an expedited  
20       basis. As we've indicated in Mr. Bloomfield's  
21       testimony, and as Staff has agreed, the Company  
22       faces an emergency situation which would  
23       warrant emergency rate relief as required by  
24       the statute or as set forth in the statute. We

1 believe we've met the burden of proof here,  
2 which is a lesser burden than is what's  
3 normally required in a permanent rate filing.

4 Mr. Bloomfield's testimony, as well  
5 as the schedules that we filed with the  
6 Commission, basically track the Commission's  
7 rules for full rate cases. So, we believe we  
8 provided the Commission and Staff and other  
9 parties with more than enough information upon  
10 which to make a determination regarding the  
11 level of rates that the Company needs.

12 And, so, we would respectfully ask  
13 that the Commission put into effect on  
14 October 1st the rate as requested by Mr.  
15 Bloomfield in his testimony and as updated on  
16 the stand today.

17 We look forward to working with the  
18 parties and with Staff in the upcoming weeks,  
19 in order to hopefully arrive at a settlement  
20 for what would be final emergency rates for the  
21 duration of the Company's operations.

22 Obviously, the Company would like a  
23 ruling as soon as it can on the issue of  
24 whether it will be allowed to discontinue

1 service, but we understand that that issue is  
2 linked to the docket that's going to be heard  
3 on Friday, and is also linked to some of the  
4 issues especially that the State has raised  
5 today.

6 Preliminarily, we would like to  
7 indicate our objection to the request that the  
8 Company be required to conduct a Phase II  
9 environmental assessment. We believe that, as  
10 Mr. Frink has suggested, that that would place  
11 an undue burden on the Company at this juncture  
12 of its operations. So, we will flag that issue  
13 right now.

14 But we will thank -- thank the  
15 Commission and the parties for their  
16 participation in this docket. And, again, we  
17 would like and look forward to a ruling  
18 quickly, so that we can put the new rate into  
19 effect on October 1st.

20 CHAIRMAN HONIGBERG: Okay. We  
21 understand the need to move quickly on the rate  
22 question.

23 We'll adjourn this hearing and issue  
24 an order as quickly as we can.

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MS. GEIGER: Thank you.

**(Whereupon the hearing was  
adjourned at 12:27 p.m.)**