

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 16-811

CONCORD STEAM CORPORATION

2016-2017 Cost of Energy Adjustment

Order Approving Cost of Energy Rate

ORDER NO. 25,961

October 28, 2016

APPEARANCES: Peter G. Bloomfield and Mark E. Saltsman for Concord Steam Corporation, *pro se*; and John S. Clifford, Esq., for the Staff of the Public Utilities Commission.

In this order, the Commission approves Concord Steam Corporation's 2016-2017 cost of energy rate of \$23.73 per thousand pounds (Mlb), which is a reduction from last year's weighted average rate of \$27.21 per Mlb.

I. PROCEDURAL HISTORY

Concord Steam Corporation (Concord Steam) is a public utility supplying steam services primarily to commercial and institutional customers in Concord. On August 31, 2016, Concord Steam filed its annual cost of energy (COE) rate adjustment for the period November 1, 2016, through May 31, 2017. The filing included the prefiled testimony of Concord Steam's President, Peter G. Bloomfield. There were no intervenors, and the hearing was held as scheduled on October 17, 2016. The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2016/16-811.html>.

II. POSITIONS OF THE PARTIES AND STAFF

A. Concord Steam

Concord Steam's president, Peter G. Bloomfield, testified regarding: (1) the Company and the status of its customers; (2) the Company's under-collection from the 2015-2016 COE period; (3) Concord Steam's proposed COE rate and the resulting bill impacts; (4) its fuel purchase strategy; (5) the sales forecast and unaccounted-for steam; (6) its co-generation operations; and (7) updates on the Company's plans for closure of the plant on May 31, 2017.

1. Company and Customers

Concord Steam, the only steam utility in the State, provides district steam service from its facility on Pleasant Street in Concord. The Company has 85 customers, all of which are commercial or institutional, with the exception of one residential customer. The Company lost five customers for the 2016-2017 heating season, including the YMCA, the Merrimack County courthouse, and three commercial customers. The Company expects to lose another three or four customers over the course of this heating season as customers start to switch to gas in contemplation of Concord Steam's projected shutdown in May 2017.

2. Under-Collection Reconciliation Through the COE

Concord Steam initially projected an under-collection of approximately \$68,000 for the 2015-2016 COE period but testified that after adjustments from the Staff Audit, the under-collection was actually about \$81,000. Due to anticipated fuel costs and the production expenses Concord Steam proposes to include in the COE, the Company requested that the Commission approve the change in the COE.

3. Proposed COE Rate and Bill Impacts

The current COE charge is \$30.26 per Mlb of metered steam. For the 2015-2016 year, the Commission initially approved a charge of \$25.22 per Mlb and permitted the Company to adjust the charge upward as much as 20 percent. *See* Order No. 25,835. In December 2015, the COE was adjusted upward to \$25.61 per Mlb; in February 2016 it was raised again to \$28.25; and recently it increased to the current rate of \$30.26 per Mlb. Concord Steam's filing requested a COE rate for the coming year of \$23.73 per Mlb, which represents a decrease of \$3.48 from last year's weighted average rate of \$27.21 per Mlb. The COE rate is subject to a "collar" that permits Concord Steam, without further Commission action, to adjust the COE rate on a monthly basis upward by up to 20 percent and downward by as much as necessary to minimize the over- or under-collection balance. *See, e.g., Concord Steam Corp.*, Order No. 23,822 (November 1, 2001). The total bill impact of the filing request represents a decrease of 5 percent to customers' bills due primarily to a reduction in natural gas prices.

The Company requested that it be permitted to adjust the COE rate upward by up to 25 percent rather than the current 20 percent, citing the fact that the loss in customers may result in a larger than normal under-collection. Mr. Bloomfield also noted that a 25 percent collar is similar to the adjustment that the Commission has approved for gas utilities.

4. Fuel Purchase Strategy

Mr. Bloomfield stated that the Company has been burning wood since January 1, 2004, and approximately 55 percent of the steam for the upcoming season will be generated by burning wood. Natural gas will be used during the peak heating season as back-up, and will be used exclusively during April and May 2017 because the Company plans to cease burning wood in April in anticipation of closing. The Company procures natural gas through a competitive bid process and has selected Direct Energy as its supplier for the 2016-2017 season. For its wood

supply, Concord Steam has entered into contracts for wood to be delivered at the prevailing market price at time of delivery. Concord Steam expects the market price for wood to be approximately \$28 per ton.

In addition to the cost of leasing and operating a wood storage yard, Concord Steam included in its COE rate the costs of ash disposal, air permit fees, sewer and water costs, and boiler water treatment chemicals. The Commission allowed inclusion of those production costs in the Company's COE rate by Order No. 25,499 (April 25, 2013).

5. Sales Forecast and Unaccounted-for Steam

Mr. Bloomfield testified that, to forecast this winter's steam sales, Concord Steam weather-normalized the actual steam sales from last year using a 30-year degree-day average. He said the Company expects to lose about 1,000 Mlbs in sales over the upcoming season due to customers terminating service in advance of the shutdown. According to Mr. Bloomfield, Concord Steam has continued to use thermal imaging to document the conditions of its lines and to locate and repair steam leaks.

6. Developments Relating to Physical Plant; Status Reports

Concord Steam reported that it will continue to work on preparing the plant for closure in May 2017 and that there will be no new plant additions in the foreseeable future.

7. Closure

Concord Steam reported that it would be shutting down its operations in May of 2017 and would cease to be a regulated public utility, subject to Commission approval.

B. Staff

Staff supported approval of Concord Steam's 2016-2017 COE rates, subject to reconciliation. Staff noted that the Commission Audit Staff reviewed the 2015-2016 COE reconciliation and that the audit revealed no major issues. Staff also supported the proposal that Concord Steam be permitted to increase its COE upward by up to 25 percent or downward by any amount without further Commission approval.

III. COMMISSION ANALYSIS

Based on our review of the record, we approve Concord Steam's proposed COE rate of \$23.73 per Mlb as being just, reasonable, and lawful as required by RSA 374:2 and 378:7. Pursuant to the settlement agreement the Commission approved in Order No. 25,499, Concord Steam's base rate proceeding, Concord Steam properly incorporated steam production costs into the COE rate, subject to reconciliation. We also find the request to increase the COE rate adjustment allowance by up to 25 percent without further Commission action reasonable given the uncertainty of customer migration and the request to shut down the plant in May 2017.

Based upon the foregoing, it is hereby

ORDERED, that Concord Steam's proposed 2016-2017 COE rate of \$23.73 per Mlb effective November 1, 2016, on a service-rendered basis, is APPROVED; and it is

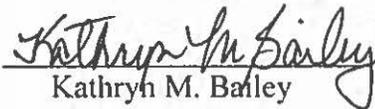
FURTHER ORDERED, that Concord Steam may adjust the approved COE rate of \$23.73 per Mlb upward or downward monthly based on Concord Steam's calculation of the projected over- or under-collection for the period, but the cumulative adjustments shall not exceed 25 percent of the approved COE rate, or \$29.66 per Mlb, without further Commission approval; and it is

FURTHER ORDERED, that Concord Steam shall provide the Commission with its monthly calculation of the projected over- or under-collection, along with the resulting revised

COE rate for the subsequent month, not less than five business days prior to the first day of the subsequent month, and shall include a revised tariff if Concord Steam elects to adjust the COE rate; and it is

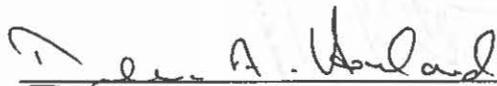
FURTHER ORDERED, that Concord Steam shall file properly annotated tariff pages in compliance with this order no later than 15 days from the issuance date of this order, as required by N.H. Code Admin. Rules Puc 1603.

By order of the Public Utilities Commission of New Hampshire this twenty-eighth day of October, 2016.


Kathryn M. Bailey
Commissioner


Robert R. Scott
Commissioner

Attested by:


Debra A. Howland
Executive Director