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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

October 27, 2009 - 10:06 a.m.  
Concord, New Hampshire

RE: DG 09-169  
CONCORD STEAM CORPORATION:  
Cost of Energy for the period of  
November 1, 2009 through October 31, 2010.

PRESENT: Chairman Thomas B. Getz, Presiding  
Commissioner Clifton C. Below  
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES: Reptg. Concord Steam Corporation:  
Sarah B. Knowlton, Esq. (McLane, Graf...)

Reptg. PUC Staff:  
Matthew J. Fossum, Esq.

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

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## I N D E X

3

PAGE NO.

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WITNESS: PETER G. BLOOMFIELD

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## E X H I B I T S

14

EXHIBIT NO. DESCRIPTION PAGE NO.

15

1 Cost of Energy filing, including 4

16

the Testimony of Peter G. Bloomfield  
and attachments thereto (09-15-09)

17

18

\* \* \*

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20

CLOSING STATEMENTS BY: PAGE NO.

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1 P R O C E E D I N G

2 CHAIRMAN GETZ: Okay. Good morning,  
3 everyone. We will open the hearing in docket DG 09-169.  
4 On September 17, 2009, Concord Steam Corporation filed its  
5 annual Cost of Energy rate for the period November 1, 2009  
6 through October 31, 2010. The proposed Cost of Energy  
7 rate is \$17.36 per thousand pounds, which is a decrease of  
8 \$3.99 per unit when compared to the projected weighted  
9 average cost rate for the year ending October 31, 2009.  
10 An order of notice was issued on September 18 setting the  
11 hearing for this morning.

12 Can we take appearances please.

13 MS. KNOWLTON: Good morning, Chairman  
14 Getz and Commissioners Below and Ignatius. My name is  
15 Sarah Knowlton, and I'm here today on behalf of Concord  
16 Steam. With me today from the Company is Peter Bloomfield  
17 and Mark Saltsman. And, our witness today will be  
18 Mr. Bloomfield.

19 CHAIRMAN GETZ: Good morning.

20 MR. SALTSMAN: Good morning.

21 MR. BLOOMFIELD: Good morning.

22 MR. FOSSUM: Good morning. Matthew  
23 Fossom, on behalf of the Staff of the Commission. And,  
24 with me today are Bob Wyatt and Stephen Frink from the

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[WITNESS: Bloomfield]

1 Commission Staff.

2 CHAIRMAN GETZ: Good morning. Are you  
3 ready to proceed, Ms. Knowlton?

4 MS. KNOWLTON: We are. And, we've  
5 marked -- we'd like to mark for identification as "Exhibit  
6 1" the Company's filing in this docket.

7 CHAIRMAN GETZ: It will be so marked.  
8 (The document, as described, was  
9 herewith marked as Exhibit 1 for  
10 identification.)

11 MS. KNOWLTON: The Company calls Peter  
12 Bloomfield.

13 (Whereupon Peter G. Bloomfield was duly  
14 sworn and cautioned by the Court  
15 Reporter.)

16 PETER G. BLOOMFIELD, SWORN

17 DIRECT EXAMINATION

18 BY MS. KNOWLTON:

19 Q. Good morning, Mr. Bloomfield.

20 A. Good morning.

21 Q. Would you please state your full name for the record.

22 A. Peter Bloomfield.

23 Q. By whom are you employed?

24 A. Concord Steam.

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[WITNESS: Bloomfield]

- 1 Q. What is your position with the Company?
- 2 A. President.
- 3 Q. Would you describe the types of customers that are  
4 served by Concord Steam.
- 5 A. It is a mix of government, institutional, and  
6 commercial buildings in the downtown Concord area. We  
7 have one residential customer.
- 8 Q. Is that a house?
- 9 A. That's a house, yes.
- 10 Q. Okay. Are you familiar with the document that's been  
11 marked for identification as Exhibit 1, which the first  
12 page is your direct filed testimony in this docket?
- 13 A. I do.
- 14 Q. And, was that testimony prepared by you or under your  
15 direction?
- 16 A. Yes, it was.
- 17 Q. Do you have any corrections to that testimony or the  
18 attached exhibits?
- 19 A. I have a couple of minor corrections.
- 20 Q. Would you walk us through those please?
- 21 A. Sure. Most are some date issues. On Schedule 3, there  
22 was --
- 23 Q. I think that's Page 14 of 25, is that correct?
- 24 A. Yes. The September -- August, September, October

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[WITNESS: Bloomfield]

1 listed there should be "09", and not "08". And,

2 Schedule 5, a similar type of thing that --

3 Q. Which page is that?

4 A. Schedule 5 is two pages further on, and I don't know --

5 Q. Page 16, I think?

6 A. Yes. That there is a date referencing "07" to "08", it  
7 should read "08, "09".

8 Q. So, that starting "November-07", should be "November  
9 08"?

10 A. That's right. The title at the top, dates running  
11 across the top headers, running the same, "November-07"  
12 to "October-08", should be "08, "09".

13 And, then, one more, that is the last  
14 page, and that's CB-4. And, that is, again, there were  
15 September, October, November, December was listed as  
16 "08", should be "09".

17 Q. That's on Page 25, correct?

18 A. Yes.

19 Q. Any other corrections?

20 A. No.

21 Q. Mr. Bloomfield, if I were to ask you the questions that  
22 are contained in your testimony today, would the  
23 answers still be the same?

24 A. Yes.

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[WITNESS: Bloomfield]

- 1 Q. What is the Company's currently approved Cost of  
2 Energy?
- 3 A. Twenty-one dollars and change. I don't remember  
4 exactly.
- 5 Q. Has that amount been increased since the Commission  
6 approved the Cost of Energy last year?
- 7 A. Yes, it did.
- 8 Q. Can you identify what Cost of Energy the Company is  
9 seeking in this proceeding today?
- 10 A. We're requesting a reduction, and it was -- the present  
11 energy charge is \$21.31. We're requesting a reduction  
12 to \$17.36.
- 13 Q. Okay. And, do you see that, I'm looking at Page 10 of  
14 Exhibit 1, is that where you see those numbers  
15 reflected on the proposed tariff sheets?
- 16 A. Yes.
- 17 Q. And, when does the Company seek the new rate to take  
18 effect?
- 19 A. Like to take effect November 1, on a service rendered  
20 basis.
- 21 Q. Okay. And, would you describe the various fuel sources  
22 that the Company uses that are built into the Cost of  
23 Energy charge?
- 24 A. Yes. There are actually four different types of fuel

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[WITNESS: Bloomfield]

1 that we use. The primary one is the wood waste that we  
2 burn. We burn natural gas. We burn Number 6 oil,  
3 that's a virgin oil. We also burn waste oil.

4 Q. What is "wood waste"?

5 A. It is wood that is not usable in other forms. It's  
6 wood that would be normally left in the forest. We  
7 burn some pallets that are shedded that would otherwise  
8 go to landfill. It's clean wood that has no other  
9 marketable use.

10 Q. Is that the only type of wood that the Company burns?

11 A. Yes.

12 Q. And, of those four fuel sources, can you break down by  
13 percentage, what percentage is wood, oil, gas,  
14 etcetera?

15 A. Looking at actual Btus of fuel burned, roughly  
16 80 percent of the fuel we burn is wood. And, oil and  
17 gas are pretty much half and half. It's maybe 8 to  
18 10 percent oil and 10 to 12 percent gas. And, of the  
19 oil that we burn, one-third of it is waste oil and  
20 two-thirds of it is virgin 6.

21 Q. Why do you have a blend of the oil?

22 A. Some of our boilers are able to use the less expensive  
23 waste oil and some are not. So, we use the level that  
24 we can burn that the equipment can handle. And, other

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[WITNESS: Bloomfield]

1 than that, we use the virgin oil.

2 Q. Has the Company pre-purchased any of its wood for the  
3 upcoming heating season?

4 A. Yes, we have.

5 Q. How much?

6 A. We have close to 5,000 tons of material on the ground.

7 Q. Where is that located?

8 A. In our -- at the wood yard in Pembroke.

9 Q. And, does the Company purchase any -- will the Company  
10 be purchasing any wood that will be delivered directly  
11 to the Pleasant Street facility?

12 A. Yes. Of all the wood that we get in, 60 to 70 percent  
13 of it comes direct from the woods to the plant, and the  
14 remainder gets cycled through the wood yard.

15 Q. How do you determine how much to store out at the wood  
16 yard versus how much you would have delivered directly  
17 to the plant?

18 A. The amount we have delivered direct is a function of  
19 coordinating the deliveries from the woods when we need  
20 it. When we need it is not necessarily when they can  
21 provide it. And, the loggers typically will start  
22 their operation in the morning. And, if we -- when we  
23 try and get more wood direct, what happens is we'll end  
24 up with four or five trucks arriving at the plant all

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[WITNESS: Bloomfield]

1 at once, and it causes delays and problems with -- on  
2 our side, as well as on the deliverers' side. So, we  
3 try and bring as much as we can direct, but there's  
4 kind of logistical issues that require that we not  
5 bring -- not bring all of our material through direct  
6 from the woods. We need to use the wood yard to carry  
7 through on situations of peak demand on our case, on  
8 bad weather, and as well as evening the flow of  
9 material.

10 Q. Is there a price differential between the wood that the  
11 Company buys and stores at the wood yard versus the  
12 wood that's delivered directly to the plant?

13 A. Yes. The wood that is delivered directly, we pay more  
14 for that, for two reasons: One, the logger is  
15 required, in order to be able to unload the material at  
16 our facility, they require a special tractor-trailer  
17 rig, with a self-unloading van, which -- so, we end up  
18 paying a premium to the logger to do that. It also  
19 tends to be less convenient, and so they end up  
20 spending more time on their -- with their truck on  
21 delivering material direct to the facility, rather than  
22 going to the yard. So, that we pay a premium of --  
23 it's about three dollars a ton, three or four dollars a  
24 ton premium to get it delivered direct than what we pay

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[WITNESS: Bloomfield]

1 delivered to the yard.

2 Q. What is the price of wood that's reflected in the  
3 Company's filing in this docket?

4 A. We have listed an averaged purchase price of \$30 a ton.  
5 That is a blended cost of wood delivered to the yard  
6 and to the plant.

7 Q. If you would look at Schedule 8, which is Page --  
8 starts on Page 19.

9 A. Yes.

10 Q. This is -- This document is the estimated cost of the  
11 wood yard operations. Do the costs that are outlined  
12 on this document, do they -- are they factored into the  
13 cost of wood or are they in addition to the cost of  
14 wood?

15 A. When I'm referring to the delivered cost of wood at  
16 \$30, these costs are over and above that charge.

17 Q. Okay.

18 A. All of these costs are directly related to the burning  
19 of wood and are included in the Cost of Energy price,  
20 but they're not included in that \$30 number.

21 Q. Okay. What arrangements does the Company have to  
22 procure wood? How do you go about doing that?

23 A. We have a relationship with up to two dozen different  
24 logging operations. We have a wood broker who helps us

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[WITNESS: Bloomfield]

1 coordinate with those different wood suppliers. And,  
2 we work with the wood broker, communicate to him how  
3 much wood we need at any one week, at either, at which  
4 location, and they coordinate with the different  
5 loggers and suppliers who then provide us the wood  
6 material.

7 Q. Do you have any concerns about the Company's ability to  
8 obtain a sufficient supply of wood for this heating  
9 season?

10 A. No. No. The wood supply market is actually in very  
11 good shape at the moment.

12 Q. How do you know that?

13 A. Because of the ease that we're having in acquiring the  
14 wood that we need. There's ample wood available, and  
15 we've had no problem in pre-buying wood and getting  
16 wood that we need at the plant.

17 Q. How does the amount of wood that the Company has  
18 pre-purchased this year compare to the amount that you  
19 had pre-purchased this same time last year?

20 A. We have probably close to 5,000 tons of wood in the  
21 yard now, and this time last year we had something  
22 around twice that. We bought more, we bought too much  
23 too early last year. It was after a period of wood was  
24 not particularly easy to come by, and all of a sudden

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[WITNESS: Bloomfield]

1           it was plentiful, and so we bought it when it was  
2           plentiful. And, it kept being plentiful. So, we ended  
3           up getting it a little sooner. And, the only problem  
4           with that is it's not so much -- it's a cash flow  
5           issue, because obviously we've purchased it and it's  
6           just sitting there, but wood will deteriorate. Wood  
7           fuel, this material is green, comes right out of the  
8           woods, chipped as a green tree, and we store it in  
9           piles. And, the wood will start to deteriorate and rot  
10          if it's kept for too long. So, we had some issues with  
11          managing the pile last winter, because we had some of  
12          our wood a little bit too early. So, we've held off  
13          this year and have not purchased as much.

14    Q.    I want to switch gears and talk about your oil supply  
15          that you'll rely on for the upcoming heating season.  
16          Do you have any contracts in place for the purchase of  
17          oil?

18    A.    Yes, we do. We have committed to the oil that we  
19          expect to use, we've locked in a price of \$65 a barrel  
20          for the virgin oil that we're using.

21    Q.    How does that compare to the price from last year?

22    A.    It's significantly less.

23    Q.    Okay. And, what about natural gas? Have you made  
24          similar arrangements for that?

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[WITNESS: Bloomfield]

- 1 A. Yes. We've also contracted with natural gas for the  
2 amount that we expect to use, and that's also a bit  
3 less than last year.
- 4 Q. How do you determine what mix of fuels to use at the  
5 plant?
- 6 A. It's a combination of knowing what our limitations  
7 were, how much wood we can burn, and then it's a mix of  
8 "do we burn gas or oil?" It's really an economic  
9 choice. And, so, what we end up doing is buying gas  
10 and using gas for most of the year, with the exception  
11 of two or three winter months where we burn oil. In  
12 order to get the best combination of pricing of oil and  
13 gas, it works out best that way.
- 14 Q. Have you done any comparison of the relative cost of  
15 the various fuel sources?
- 16 A. Yes. We do that every year, when we try and determine  
17 whether we're going to burn more oil or more gas at the  
18 -- when we go through our --
- 19 Q. If you would turn to Page 16 of Exhibit 1?
- 20 A. Yes.
- 21 Q. This is Schedule 5.
- 22 A. Yes.
- 23 Q. Do you have that before you?
- 24 A. Yes. This is a summary of last year's costs.

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[WITNESS: Bloomfield]

- 1 Q. Okay. And, at the bottom of that page, there's a  
2 little chart with projected MMBtu costs. Is that a  
3 comparison of the cost of the various fuel supplies?
- 4 A. Yes, it is.
- 5 Q. Would you walk us through that please.
- 6 A. This is what our -- pretty much of what our actual  
7 costs were the previous heating season, showing wood  
8 cost averaging in the neighborhood of \$38 a ton; oil at  
9 104 -- virgin oil at \$114 a barrel; and gas at almost  
10 \$12 per million Btu.
- 11 Q. And, do you have projections for what those costs will  
12 be this year?
- 13 A. For this year, the projections are closer to \$36 a ton;  
14 \$65 a barrel for virgin; and \$7.80 for gas.
- 15 Q. Now, have you projected the amount of sales that you  
16 expect, steam sales --
- 17 A. Yes.
- 18 Q. -- for the heating season?
- 19 A. Yes.
- 20 Q. Can you -- I believe that's on Page 13 -- I'm sorry,  
21 Page 12.
- 22 A. We looked at last year's steam sales, adjusted them  
23 based on degree days and the 30 year average, and  
24 adjusted those expected steam sales for this upcoming

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[WITNESS: Bloomfield]

1 year based on the actual historicals of last year.

2 Q. And, did you have an over collection or an under  
3 collection from last year?

4 A. Last year we under collected to about \$67,000.

5 Q. Through what date is that \$67,000 calculated?

6 A. That's as of the end of July of 2009.

7 Q. Okay. And, will you be updating that calculation to  
8 reflect the end of the 2008-2009 year?

9 A. Yes. When that -- when this present heating season  
10 finishes, which will be next week, actually, when all  
11 of the final numbers and usages come in, we will be  
12 correcting and balancing that and submitting that to  
13 the Commission as one of our normal reports.

14 Q. Would you describe the factors that play into the under  
15 collection for last year?

16 A. It was primarily a reduction in overall steam sales  
17 that we feel that contributed to it. Our fuel pricing  
18 was pretty much where we expected it to be, but, with a  
19 reduction in steam sales, it affected the overall cost  
20 of energy collections, and that was the result.

21 Q. If you would turn back to Schedule 8, which begins on  
22 Page 19. This is the schedule that reflects the  
23 estimated cost of the wood yard operations. Can you  
24 walk through what the components of the wood yard costs

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[WITNESS: Bloomfield]

1 are please?

2 A. We include in the cost of burning wood the cost of  
3 operating the wood yard. And, that includes the  
4 leasing of the property, the upkeep and maintenance of  
5 the equipment, the fuel used by the front-end loaders  
6 and the delivery trucks. We do have, as I mentioned,  
7 we have pallets that we get delivered. And, so, we  
8 have to have someone come in and grind up the pallets  
9 that we have. We also buy in whole logs when the  
10 market is appropriate, when we can get a whole log in  
11 for -- at the right price, we'll bring those in. And,  
12 when we need those chipped, we have a logger come in  
13 and chip them right in our yard with his equipment.  
14 It's that kind of thing that we use -- all of the  
15 miscellaneous costs we use to operate that yard.

16 Q. Are there any material changes in the cost of the wood  
17 yard's operations from last year to this year?

18 A. The only significant one is there was a -- the primary  
19 front-end loader that we use to handle the wood was in  
20 an accident last year, it got totaled. And, so, the  
21 loader was replaced with a new loader, and there's a  
22 lease payment or a rental payment on this loader that's  
23 included in these figures that were not there last  
24 year.

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[WITNESS: Bloomfield]

- 1 Q. And, that's the "\$51,597" amount that's reflected on  
2 this schedule?
- 3 A. Yes, that's right.
- 4 Q. And, is that an annual amount?
- 5 A. That's an annual amount.
- 6 Q. And, you indicated that that's a "lease payment". Did  
7 the Company undertake any analysis to determine whether  
8 it was -- made more economical sense to lease versus  
9 buying the loader?
- 10 A. Yes. And, for a number of reasons, it was -- it made  
11 more sense. Hopefully, the Company, in a couple of  
12 years, will be turning over the whole operation of that  
13 wood yard, and all of the financial costs of operating  
14 that wood yard, over to the new facility, which will  
15 include the front-end loader and all rolling stock on  
16 that, involved in that process.
- 17 Q. When you refer to the "new facility", is that the  
18 cogeneration plant?
- 19 A. Yes.
- 20 Q. And, I also note that there is a cost of "\$35,000" for  
21 the "Wood Broker"?
- 22 A. That's correct.
- 23 Q. And, is that an annual fee?
- 24 A. Yes.

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[WITNESS: Bloomfield]

- 1 Q. And, has that amount changed since last year?
- 2 A. No, it has not.
- 3 Q. Mr. Bloomfield, does the Company -- has the company  
4 experienced line losses in the past year?
- 5 A. Yes.
- 6 Q. Approximately, do you have a percentage of the amount  
7 of steam that's sold that's lost in the process of  
8 distribution?
- 9 A. As a percentage of total steam generated, roughly  
10 30 percent is lost through line losses.
- 11 Q. Has that number changed over -- that percentage changed  
12 over the years?
- 13 A. Well, the percentage changes more as a result of steam  
14 sales, change in steam sales, than in -- than in usage,  
15 because the line losses tend to be fairly constant,  
16 whether -- almost irrespective of how much steam we  
17 actually sell. The actual -- the actual pounds of  
18 steam lost, the actual total amount of steam lost over  
19 the past few years has reduced. The percentage has not  
20 necessarily reduced, because our steam sales have also  
21 gone down.
- 22 Q. Has the Company undertaken any efforts to -- I mean,  
23 there are things that the Company could do, correct, to  
24 affect the line loss, though, right?

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[WITNESS: Bloomfield]

- 1 A. Yes, that's correct.
- 2 Q. And, has the Company undertaken any of those efforts in  
3 the past year to mitigate those losses?
- 4 A. Yes. There's a number of sections of steam line that  
5 were problematic that we have re-insulated or replaced.
- 6 Q. Where are those lines located?
- 7 A. A section on Pleasant Street -- two sections on  
8 Pleasant Street that we did some work on, some other  
9 sections on the New Hampshire Hospital grounds.
- 10 Q. Is the Company still cogenerating electricity?
- 11 A. Yes.
- 12 Q. If you would turn to Schedule CB-1, which I believe  
13 starts on Page 21.
- 14 A. Yes.
- 15 Q. Can you walk us through the analysis that you  
16 performed?
- 17 A. The way the Company now operates is we use our steam  
18 twice. We generate at a high pressure, run it through  
19 our turbine generator sets, exhaust it out of the back  
20 of the turbine and sell that downtown. So that our  
21 power production is directly related to how much steam  
22 we're selling in any one day. So that we generate more  
23 power in the winter than we do in the summer. If we  
24 were to try and generate more power than we had a place

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[WITNESS: Bloomfield]

1 to put the steam, the cost of that electricity would be  
2 very high. So, we only generate as much power as we  
3 have a use for the steam on the back end. And, in  
4 doing that, it's an efficient way of generating  
5 electricity. And, our primary benefit is that we  
6 offset the electricity that we buy. We do sell excess,  
7 but the price of power over the past year has not been  
8 as much -- as much a significant benefit as the avoided  
9 cost of not buying the electricity.

10 Q. Would you walk us through this calculation, I mean, and  
11 explain, you know, why the Company is performing this  
12 assessment?

13 A. All right. Yes. So that, if we were to not generate  
14 any power, we would be paying \$340,000 a year for  
15 electricity. As it is, we -- last year we spent about  
16 \$80,000 a year buying power from the utility. And, a  
17 cost -- that the cost to generate the power we did  
18 generate was about \$245,000. We also sold electricity  
19 over and above what we needed, so that our net benefit  
20 to the Company was roughly \$170,000 last year.

21 Q. And, what is the amount of electricity that you sold?

22 A. We sold approximately -- we sold approximately  
23 2.6 million kilowatt-hours. That's on the last  
24 schedule, CB-4, on the last page.

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[WITNESS: Bloomfield]

1 Q. And, does the Company have any control over the price  
2 that it receives for those sales?

3 A. No. No. It's sold through Unitil, directly to the LMP  
4 price, the avoided cost price to ISO.

5 Q. So, based on this calculation, do you conclude that it  
6 still makes economic sense for the Company to continue  
7 to cogenerate electricity?

8 A. Yes.

9 Q. And, that's reflected on Page 21, the ratio of the  
10 "1.28"?

11 A. Yes.

12 Q. And, if we turn to Page 23, this document is entitled  
13 "Expense Detail". Is this a listing of all of the  
14 costs that you take into account to determine what it  
15 actually costs the Company to generate the electricity?

16 A. Yes.

17 Q. Is there anything that's varied in this calculation  
18 from prior years?

19 A. There's been no significant change. What we find is  
20 that about once every five or eight years there's a --  
21 there's a one-time expense that shows up every once in  
22 a while that's more significant. But this past year  
23 was pretty much what it has -- pretty much followed  
24 along as to what it has been in the past few years.

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[WITNESS: Bloomfield]

- 1 Q. Mr. Bloomfield, if you would now turn to Schedule 6,  
2 which is Page 17 of the filing.
- 3 A. We're jumping around a little bit, are we?
- 4 Q. Keep everyone on their toes this morning.
- 5 A. Yes.
- 6 Q. What does this document show?
- 7 A. It's a estimate of the effect of the reduced energy  
8 charge and how it affects the different customers,  
9 different -- general different size customers. We have  
10 -- there's approximately 200 some odd buildings that we  
11 supply heat to, with about 110 customers. There are a  
12 number of customers that have multiple buildings. And,  
13 some of the -- some of the buildings and usages are  
14 larger and some smaller, so that the general customer  
15 size is shown here as three typical sizes, small,  
16 medium, and large.
- 17 Q. Okay. Let's just take the small customer for example.  
18 The "base rate" that the small customer pays, that's  
19 not the rate that's being set here, correct?
- 20 A. That's correct.
- 21 Q. That's your existing distribution rate?
- 22 A. That's right.
- 23 Q. And, the "meter charge" is also established in that  
24 base rate proceeding?

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[WITNESS: Bloomfield]

- 1 A. That's right.
- 2 Q. And, then you show the "energy charge at the '08/09  
3 average", that's the existing charge? At the "\$21.35"?
- 4 A. Yes. Yes.
- 5 Q. Okay. And, then, the next, the column to the left of  
6 that, "at the new rate", is the "17.36"?
- 7 A. That's correct.
- 8 Q. That's the proposed new charge?
- 9 A. Yes.
- 10 Q. So, would you just walk us through for each of the  
11 customer classes what the -- it looks like you've  
12 calculated the change based on looking at the rates  
13 that are all-in?
- 14 A. Yes.
- 15 Q. Okay. Would you walk us through?
- 16 A. Yes. So, that the reduction in energy costs for any  
17 one of these, just the energy cost, is closer to a 15  
18 to 20 percent reduction. But, when you consider the  
19 effective base rate, and looking at the overall cost,  
20 for the new rate versus the old rate, in the small,  
21 it's a "10.65 percent decrease"; medium, it's an  
22 "11.01 percent decrease"; and the large customer, it's  
23 "11.32 percent decrease".
- 24 Q. Have you experienced any changes in your customer base

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[WITNESS: Bloomfield]

1 since last year?

2 A. There's been no significant changes in customer base,  
3 per se. We have noticed a change in steam sales, but  
4 we haven't lost any customers to speak of.

5 Q. And, has that been an increase or a decrease in steam  
6 sales?

7 A. There's been a decrease in steam sales.

8 Q. And, what order of magnitude?

9 A. It was probably, from what we had projected it would be  
10 a year ago, it was probably 10 percent less. And,  
11 there's a mix of reasons. The primary one seems to be  
12 the fact that there's a number of unoccupied buildings  
13 downtown that we would be normally heating at some  
14 higher level. There's a number of -- there's a lot of  
15 empty space downtown that's just being heated just  
16 enough to keep things from freezing. So, we feel that  
17 that was probably the biggest single effect of  
18 reduction in steam sales.

19 Q. Do you anticipate that any of your customers will have  
20 difficulty paying the Company for steam that's provided  
21 this heating season?

22 A. There are a couple that we're having issues with, but  
23 they're ones we've had issues with in past years. And,  
24 we're working to try and control those.

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[WITNESS: Bloomfield]

1 Q. Do you anticipate any changes in the Cost of Energy in  
2 that first month reconciliation from what the Company  
3 has included in its filing?

4 A. Yes. We expect to change it slightly. Within a few  
5 weeks we'll have what the final over/under collection  
6 amount is reconciling the entire heating year, and  
7 we'll be adjusting the energy rate accordingly to  
8 account for that.

9 Q. The Company is proposing a collar, correct?

10 A. That's correct, a plus or minus 20 percent collar.

11 Q. And, with that adjustment, do you anticipate that that  
12 first monthly reconciliation would be within the  
13 collar?

14 A. Yes. Yes. The plus or minus 20 percent is more than  
15 adequate. It might change 20 or 30 cents out of the  
16 \$17.36 that we're asking.

17 Q. In your opinion, Mr. Bloomfield, are the proposed Cost  
18 of Energy rates just and reasonable?

19 A. Yes, they are.

20 MS. KNOWLTON: I have nothing further  
21 for Mr. Bloomfield.

22 CHAIRMAN GETZ: Thank you. Mr. Fossum.

23 MR. FOSSUM: Thank you. A number of the  
24 things I was going to ask have been covered, so I guess

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[WITNESS: Bloomfield]

1 I'll keep this fairly short.

2 CROSS-EXAMINATION

3 BY MR. FOSSUM:

4 Q. Mr. Bloomfield, you had spoken about the price of your  
5 delivered wood, and you said that that was a "blended  
6 rate" that came out to about "\$30 per ton"?

7 A. Yes.

8 Q. Now, how does that rate compare to the, I guess,  
9 blended rate from last year?

10 A. It's in the neighborhood of two to three dollars less  
11 than last year, two to three dollars per ton less.

12 Q. And, you had said that right now there's no -- don't  
13 appear to be any problems with the wood supply. Do you  
14 expect the wood -- do you expect that to continue or  
15 whether there will be any volatility in the wood supply  
16 or its price?

17 A. That depends on weather more than anything. We feel  
18 that, even if there is -- even if there's a wet fall,  
19 and a warmer winter, the status of the wood biomass  
20 industry is stable enough, and that most of the  
21 operations have adequate piles and storages of wood  
22 that, even if there is a disruption, the on-hand  
23 material should keep any significant fluctuations  
24 happening in the price or availability.

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[WITNESS: Bloomfield]

1 Q. And, has the Company had any problems with its wood  
2 supply over the past year?

3 A. The past year, the wood has come in very smoothly.  
4 There's been a more than ample supply.

5 Q. Now, regarding the Company's unaccounted for or the  
6 line losses that you spoke about, you said that, if I  
7 recall, that it's about -- averaging about "30 percent"  
8 per year, is that accurate?

9 A. That's right.

10 Q. Would you estimate that that expectation will hold for  
11 the coming year?

12 A. We don't see a significant -- we're not expecting a  
13 significant change one way or the other in line losses  
14 from this year to next year. We have made some  
15 improvements in our system just over this past summer,  
16 and those could result in a reduction in some areas.  
17 But, at the same time -- excuse me, at the same time we  
18 see some other areas of our steam system that need work  
19 and that have -- seem to have deteriorating insulation  
20 areas. So, we're keeping up with it. We don't expect  
21 any significant change one way or the other.

22 Q. You had spoken about just now some areas that "need  
23 work". Anything in particular or that improving upon  
24 which would make a striking difference to the Company?

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[WITNESS: Bloomfield]

1 A. The line that runs up Pleasant Street is our biggest  
2 concern. And, we've done some work on that, but  
3 there's --

4 (Ms. Deno providing water to the  
5 witness.)

6 WITNESS BLOOMFIELD: Thank you. Yes.

7 BY THE WITNESS:

8 A. So, we've done some work on that section of line in  
9 small pieces. But that's the area that needs the most  
10 attention.

11 BY MR. FOSSUM:

12 Q. Now, there was a recent docket covering the evolution,  
13 I guess, of Concord Steam going forward into this new  
14 plant that you had spoken about. And, the Commission  
15 order on that, if you recall, there was a proposal to  
16 re-insulate about 5,500 feet of lines. Has the Company  
17 made any progress on that?

18 A. That was some of the area we actually did some work on  
19 this summer. We have -- had originally intended to do  
20 that this past summer, but the whole project has been  
21 delayed, and now we're looking at next summer to do  
22 that major re-insulation project along Pleasant Street.

23 Q. Now, also in regard to the new plant, is there still an  
24 expectation that the overall cost of energy will

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1 decrease once that new plant is operational?

2 A. Yes. Yes. The projections are still that the total  
3 cost of steam, including base rate and cost of energy,  
4 that the total cost of steam to the customers should  
5 drop by 30 percent once that new facility is  
6 operational.

7 Q. And, lastly, for this ending cost of energy year, is  
8 there a schedule in the forecast, if you're aware, that  
9 provides for an accounting of the monthly volumes and  
10 of the steam produced and how much was used for sales  
11 versus electric generation versus company uses or steam  
12 losses?

13 A. Yes. Yes. We track those internally, in terms of how  
14 much steam gets sold, how much steam is used  
15 internally, its line losses, power production, and that  
16 sort of thing.

17 Q. Would the Company be willing to provide that  
18 information as a schedule in the final reconciliation  
19 for its cost of energy year?

20 A. Yes. Yes, we'd be happy to do that.

21 MR. FOSSUM: Thank you. I have nothing  
22 further.

23 CHAIRMAN GETZ: Commissioner Below?

24 CMSR. BELOW: No questions.

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[WITNESS: Bloomfield]

1 CHAIRMAN GETZ: Commissioner Ignatius?

2 BY MS. IGNATIUS:

3 Q. Just a few more questions about the line losses issue,  
4 Mr. Bloomfield. You just said a moment ago, and I'd  
5 like you to expand on it, are there -- when you talk  
6 about "line losses" and "lost steam", is that always  
7 meaning steam escaping from problem pipes or are there  
8 also uses of steam that are necessary that just can't  
9 be recovered from customers?

10 A. There's uses of steam in the facility that we -- we  
11 generate the steam, we need to use some of that steam  
12 to be able to preheat feedwater and we use it in the  
13 making of steam. That's what we call "in-plant use".  
14 The "unaccounted for losses" we refer to are pretty  
15 much line losses. And, it's not -- the amount of steam  
16 is not so much a hole in the pipe that the steam is  
17 escaping from, usually it's a fact that insulation has  
18 deteriorated and the steam line is losing more heat  
19 through the -- through the walls of the pipe than it  
20 would otherwise.

21 We mentioned the thing on Pleasant  
22 Street, down where the line crosses the brook. Part of  
23 our problems there were the -- some two or three years  
24 ago, when we had the big floods, the culvert was washed

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[WITNESS: Bloomfield]

1 out. When the culvert washed out, it disturbed all of  
2 the utilities running across that brook, not just the  
3 steam, but the water line, and there was a significant  
4 water leak right there, right next to our steam line  
5 and right next to our manhole, that was kind of causing  
6 a constant soaking of the steam and pipe there in the  
7 city water. And, when we -- despite our pleading to  
8 the City, we were certain that's what it was, and they  
9 insisted it wasn't a leak, but, at any rate, it went on  
10 for a number of years, and we finally resolved it when  
11 they finally were able to dig the bridge up and repair  
12 it, and that we noticed a significant drop in line loss  
13 once that section was repaired. So, it can be that  
14 kind of thing, where it can be a water leak, high  
15 groundwater.

16 Some of the other sections that we're  
17 concerned about on Pleasant Street, it's a section of  
18 line that was installed almost 30 years ago. And, the  
19 type of construction of that piping and insulation  
20 system does not stand well -- stand as well up to the  
21 test of time as others do, and it needs to be redone.  
22 And, so, it just, as the years go on, it gets --  
23 deteriorates a little bit more every year, and it just  
24 that it heats the ground up, and they don't have to

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[WITNESS: Bloomfield]

1 plow the sidewalks quite as much as they might  
2 otherwise.

3 Q. But that 30 percent figure is steam that otherwise  
4 could be sold if it were not being lost through the  
5 pipes?

6 A. Yes, that's right. And, even if the system was in  
7 primo condition, it would still have some line loss.  
8 You're never going to get to zero. There's always  
9 going to be -- it's the nature of the beast, that no  
10 matter how good the insulation system is, there is  
11 still going to be some line loss. We think that, when  
12 we are able to address that issue on a larger scale,  
13 hopefully next year, then we can reduce that level of  
14 loss from somewhere around 30 percent, and hopefully  
15 reduce that to something less than 20 percent.

16 Q. Is there an industry standard for what's an expected  
17 level of line loss that you just can't get below?

18 A. With a steam system like we have, and there are a few  
19 of them around the country, losses are higher than they  
20 would be in a hot water system. So, a hot water  
21 system, losses might be 10 to 15 percent, from a forced  
22 hot water system. A steam system, the steam is a  
23 higher temperature, and therefore you get more losses.  
24 I think that a good -- a new, good steam system, you

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[WITNESS: Bloomfield]

1 know, the best you could probably do is 15 to --  
2 probably 15 to 20 percent. You know, some of our  
3 piping was installed in 1938. And, the insulation at  
4 that time was all asbestos. It's very stable, it stays  
5 together well, but they didn't put a lot on. And, part  
6 of this major re-insulation project we hope to do is by  
7 adding additional insulation in and around some of that  
8 older stuff, to try and improve the insulation  
9 qualities and capabilities of those old lines.

10 CMSR. IGNATIUS: Thank you.

11 CHAIRMAN GETZ: Thank you. Two things,  
12 Mr. Bloomfield.

13 BY CHAIRMAN GETZ:

14 Q. Following up on that, in the 30 percent unaccounted for  
15 number, does that include the steam that's distributed  
16 in the summer to keep the pipes from corroding or is  
17 that --

18 A. Yes. That's an annual amount. You're right. So that  
19 it's not -- it's not 30 percent of every hour, it's  
20 30 percent averaged over the entire year. So that,  
21 although the line loss is fairly consistent from month  
22 to month, it's in the six to eight thousand (8,000) M  
23 pounds a month, whether it's winter or summer. And,  
24 obviously, we sell a lot more steam in the winter, so

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[WITNESS: Bloomfield]

1           our percentage of loss is much lower in the winter than  
2           it is in the summer. But it's pretty much a fairly  
3           standard loss year-round.

4   Q.   Okay. And, the other thing is, at the bottom of Page 8  
5           of your testimony, there's a question and answer about  
6           the new steam plant project?

7   A.   Yes.

8   Q.   It says you have "all of its city permits and the State  
9           and federal permits are well under way". And, it says  
10          that the project "has arranged financing"?

11  A.   That's correct.

12  Q.   And, is that -- when did that occur?

13  A.   It has not been -- it has not been signed and sealed.  
14          We have a commitment from TD Bank that says "yes, they  
15          will -- they will finance the project", assuming that  
16          we get the long-term purchase -- power purchase  
17          agreements in place, and a few other items. But TD  
18          Bank has committed to providing us with those funds.  
19          And, they probably -- it's been a long process, as to  
20          actually when they did that, it was probably six or  
21          eight months ago.

22  Q.   But the financing is subject to a condition?

23  A.   Yes, that's correct.

24                           CHAIRMAN GETZ: Okay. Any redirect?

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[WITNESS: Bloomfield]

1 MS. KNOWLTON: I have a few questions.

2 REDIRECT EXAMINATION

3 BY MS. KNOWLTON:

4 Q. Mr. Bloomfield, the Company files annual reports with  
5 the Commission, correct?

6 A. Yes.

7 Q. And, in those annual reports, do you report to the  
8 Commission the amount of unaccounted for losses?

9 A. Yes, we do.

10 Q. If I were to tell you that, in 2006, what the Company  
11 reported was approximately 108 million pounds, does  
12 that sound correct for unaccounted for steam?

13 A. That's 108 million pounds of unaccounted for losses.

14 Q. Correct.

15 A. Yes, that's correct.

16 Q. All right. And, then, in 2007, approximately 91  
17 million?

18 A. Million pounds, that's right, yes.

19 Q. And, then, in 2008, the number had dropped to  
20 approximately 85,000, does that sound correct?

21 A. 85,000 M pounds --

22 Q. M pounds.

23 A. -- or 85 million pounds, yes, that's right.

24 Q. That's right. And, if I were to do the math, I'd say,

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[WITNESS: Bloomfield]

1 from the 2006 to 2008, approximately a 22 percent  
2 decrease in unaccounted for steam, does that sound  
3 right?

4 A. That sounds right, yes.

5 MS. KNOWLTON: Thank you. I have  
6 nothing further for Mr. Bloomfield.

7 CHAIRMAN GETZ: Anything further for the  
8 witness?

9 (No verbal response)

10 CHAIRMAN GETZ: Hearing nothing, then  
11 you're excused. Thank you, Mr. Bloomfield.

12 WITNESS BLOOMFIELD: Thank you.

13 CHAIRMAN GETZ: Any objection to  
14 striking the identification and admitting Exhibit 1 into  
15 evidence?

16 (No verbal response)

17 CHAIRMAN GETZ: Hearing no objection, it  
18 will be admitted into evidence. Anything we need to  
19 address before opportunity for closing?

20 (No verbal response)

21 CHAIRMAN GETZ: Hearing nothing,  
22 Mr. Fossum.

23 MR. FOSSUM: Thank you. Staff has  
24 completed its review of the Company's Cost of Energy

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1 forecast for the upcoming period. And, we recommend  
2 approval of the rates as they're proposed in the filing.  
3 Their demand forecast is consistent with previous years  
4 and approved in those years by the Commission. And, the  
5 forecast also reflects the addition of the load at the  
6 Rundlett Middle School.

7 The 2008 and '09 Cost of Energy year, as  
8 noted, closes at the end of this week, on October 31st,  
9 and the Audit Staff will be reviewing the reconciliation  
10 when it's filed by the Company. And, any discrepancies  
11 between the forecasted under collection and any actual  
12 under or over collection can be addressed through the  
13 monthly adjustment mechanism that Mr. Bloomfield  
14 described.

15 It appears unlikely that there's going  
16 to be any major discrepancy, as August and September and  
17 October tend to be relatively light usage months compared  
18 to those in the winter heating season. And, the August,  
19 September, October under and over collection adjustments  
20 will be documented in the final reconciliation.

21 Further, because last year's Cost of  
22 Energy and revenues are reconciled after the period ends,  
23 any issues that can't be resolved through the monthly  
24 adjustment mechanisms can be addressed in next year's Cost

1 of Energy filing. Thank you.

2 CHAIRMAN GETZ: Thank you.

3 Ms. Knowlton.

4 MS. KNOWLTON: Thank you. The Company  
5 is pleased that its proposed Cost of Energy will be less  
6 this year than last year. As Mr. Bloomfield has  
7 testified, the Company has been prudent in its efforts to  
8 secure various sources of supply, the fuel, the four types  
9 of fuel that it uses, and has very actively managed those  
10 costs through predominantly using wood, and using other  
11 oil and natural gas where needed.

12 As a result, as Mr. Bloomfield  
13 testified, the proposed rates the Company asserts are in  
14 the public interest, they're just and reasonable. And,  
15 the Company will continue to actively manage those costs  
16 to try to keep them as low as possible for its customers.

17 CHAIRMAN GETZ: Okay. Thank you. Then,  
18 we'll close the hearing and take the matter under  
19 advisement.

20 (Whereupon the hearing ended at 11:04  
21 a.m.)

22

23

24

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