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STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

October 23, 2012 - 9:12 a.m.  
Concord, New Hampshire

NHPUC OCT31'12 AM 8:13

RE: DG 12-270  
CONCORD STEAM CORPORATION:  
*2012 Cost of Energy.*

PRESENT: Chairman Amy L. Ignatius, Presiding  
Commissioner Robert R. Scott  
Commissioner Michael D. Harrington

Sandy Deno, Clerk

APPEARANCES: Reptg. Concord Steam Corporation:  
Patrick Taylor, Esq. (McLane, Graf...)

Reptg. PUC Staff:  
Alexander F. Speidel, Esq.  
Stephen P. Frink, Asst. Dir./Gas & Water Div.  
Robert J. Wyatt, Gas & Water Division

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

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

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**E X H I B I T S****EXHIBIT NO.                      D E S C R I P T I O N                      PAGE NO.**

1	2012 Cost of Energy filing, tariff page, testimony and attachments (09-11-12)	6
2	Revised schedules and tariff page to COE filing (10-04-12)	6
3	Revised Schedules 1-3	6

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Mr. Taylor	28

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

1  
2 CHAIRMAN IGNATIUS: I'd like to open the  
3 hearing in Docket DG 12-270, which is Concord Steam  
4 Corporation's 2012-'13 Cost of Energy adjustment filing,  
5 which Concord Steam made on September 12th, 2012. In the  
6 filing, the Company requests an annual Cost of Energy rate  
7 for the period November 1, 2012 through October 31, 2013.  
8 And, as part of the filing, there's a request to change  
9 the allocation of certain production costs between base  
10 use rates and cost of energy rates, which is all tied to  
11 another docket, DG 12-242. The proposal, if approved,  
12 would result in an increase of approximately three to  
13 three and a half percent to an average customer's total  
14 bill.

15 By order of notice dated September 20th,  
16 we called for a hearing on the merits, and also asked that  
17 the Company publish the notice, which I see an affidavit  
18 attesting to publication. So, thank you.

19 So, let's begin with appearances please.

20 MR. TAYLOR: Thank you. My name is  
21 Patrick Taylor, from the law firm of McLane, Graf,  
22 Raulerson & Middleton, representing the Concord Steam  
23 Corporation. With me today from the Company are Peter  
24 Bloomfield and Mark Saltsman. Mr. Bloomfield will be the

1 Company's only witness today.

2 CHAIRMAN IGNATIUS: Good morning.

3 MR. SALTSMAN: Good morning.

4 MR. BLOOMFIELD: Good morning.

5 MR. SPEIDEL: Good morning. This is  
6 Alexander Speidel of the Staff of the Commission. And, I  
7 have with me Robert Wyatt and Steve Frink of the Gas and  
8 Water Division.

9 CHAIRMAN IGNATIUS: Good morning. Are  
10 there any procedural matters to take up before Mr.  
11 Bloomfield takes the stand?

12 MR. TAYLOR: None that I'm aware of.

13 CHAIRMAN IGNATIUS: All right.

14 MR. SPEIDEL: None that I'm aware of as  
15 well. I do notice that there is a member of the public  
16 present in the hearing room. Would you like to speak,  
17 sir, or make a statement?

18 MR. LILLIOS: I can't hear you. I'm a  
19 little hard of hearing.

20 MR. SPEIDEL: Would you like to speak,  
21 sir, or make a statement at some point during this  
22 hearing?

23 MR. LILLIOS: Well, I don't know. Can I  
24 do it at the close or not?

1 CHAIRMAN IGNATIUS: You're welcome to,  
2 either before -- you can, right now, if you would like.

3 MR. LILLIOS: No. I don't know what  
4 this hearing is. I think it's about Cost of Energy or  
5 something.

6 CHAIRMAN IGNATIUS: You're right.  
7 Absolutely correct.

8 MR. LILLIOS: Well, I'm only -- I'm  
9 here, curiosity, to see how you do it.

10 CHAIRMAN IGNATIUS: Okay.

11 MR. SPEIDEL: Sure.

12 CHAIRMAN IGNATIUS: Good. Well, we're  
13 glad to have you here.

14 MR. LILLIOS: Thank you.

15 CHAIRMAN IGNATIUS: And, if being --

16 MR. LILLIOS: I'm a customer of Concord  
17 Steam, by the way.

18 CHAIRMAN IGNATIUS: Good. If being  
19 closer would help you to hear, please move up.

20 MR. LILLIOS: Okay. Thank you.

21 CHAIRMAN IGNATIUS: Your choice.

22 MR. LILLIOS: Thank you.

23 CHAIRMAN IGNATIUS: And, at the end, if  
24 you would like to make a comment, we'd love to hear you.

1 MR. LILLIOS: Thank you.

2 CHAIRMAN IGNATIUS: So, Mr. Bloomfield.

3 MR. TAYLOR: Before I begin my  
4 examination of Mr. Bloomfield, the Company has marked  
5 exhibits for identification. Exhibit 1 is the Company's  
6 September 12th, 2012 Cost of Energy filing. Exhibit 2 --  
7 and, I believe the Commission already has those.  
8 Exhibit 2 are revised schedules to the filing that the  
9 Company submitted on October 5th, after a technical  
10 session with the Staff, and those also have been filed in  
11 the docket. And, Exhibit 3 is revised Schedules 1 to 3,  
12 and those have been revised to correct certain dates per  
13 the request of the Staff. And, we'll address that in a  
14 bit.

15 (The documents, as described, were  
16 herewith marked as **Exhibit 1**, **Exhibit 2**,  
17 and **Exhibit 3**, respectively, for  
18 identification.)

19 (Whereupon **Peter Bloomfield** was duly  
20 sworn by the Court Reporter.)

21 MR. TAYLOR: May I proceed?

22 CHAIRMAN IGNATIUS: Yes, please.

23 **PETER BLOOMFIELD, SWORN**

24 **DIRECT EXAMINATION**

[WITNESS: Bloomfield]

1 BY MR. TAYLOR:

2 Q. Mr. Bloomfield, please state your name, employer, and  
3 business address for the record.

4 A. Peter Bloomfield, President of Concord Steam, and 123  
5 Pleasant Street.

6 Q. Mr. Bloomfield, as President of Concord Steam, what are  
7 your job responsibilities?

8 A. General administrative control of the Company.

9 Q. Thank you. And, are you familiar with the documents  
10 marked collectively as "Exhibit 1"?

11 A. Yes.

12 Q. And, can you please state generally for the record what  
13 Exhibit 1 is?

14 A. It's the original Cost of Energy filing that we  
15 submitted in September.

16 Q. And, does that filing contain testimony prepared by you  
17 or under your direction?

18 A. Yes, it does.

19 Q. Mr. Bloomfield, do you have any corrections or changes  
20 that you'd like to note with regards to the filing?

21 A. There are a number of minor corrections that we've made  
22 during the process of working with Staff.

23 Q. And, in particular, are there changes to Schedule 1  
24 regarding the under or the estimated undercollection

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[WITNESS: Bloomfield]

1 for the current Cost of Energy year?

2 A. Yes. In the original filing, there was a mistake in  
3 the listing of projected sales. And, a correction of  
4 that, it adjusted the projected undercollection from  
5 what was originally an undercollection of \$123,000 to  
6 an undercollection of \$146,000.

7 Q. Okay. And, I believe you're speaking generally. Is it  
8 specifically "\$146,122"?

9 A. It is \$146,122, yes.

10 Q. Thank you. And, does that correction carry over to  
11 your testimony as well?

12 A. Yes, it does.

13 Q. Could you please point out for the Commission where  
14 those corrections would be made?

15 A. Yes. On Page 4 of my original testimony, in Lines 2  
16 and 18, it references the "\$123,176" undercollection,  
17 and that should be corrected to the \$146,000 change.

18 Q. Thank you, Mr. Bloomfield.

19 CMSR. HARRINGTON: Just one quick  
20 question, I'm just trying to get this straight. So, the  
21 Schedule 1 that appears in Exhibit 1, that page should be  
22 replaced with the first page of Schedule 1 as it appears  
23 in Exhibit 3?

24 MR. TAYLOR: Yes. And, as a point of

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[WITNESS: Bloomfield]

1 clarification, on October 4th, I believe, the Company  
2 submitted revised -- a complete set of revised schedules  
3 that included all of these numbers. Exhibit 3 is an  
4 actual -- is actually a revision of the first three  
5 schedules. It doesn't change the numbers substantively.  
6 There were some dates in some columns that were  
7 inaccurate, and so those have been changed for the record.  
8 But, substantively, Exhibit 2 has all of the correct  
9 up-to-date numbers.

10 CMSR. HARRINGTON: Exhibit 3?

11 WITNESS BLOOMFIELD: Exhibit 2 and  
12 Exhibit 3 --

13 CMSR. HARRINGTON: Okay.

14 WITNESS BLOOMFIELD: -- both have the  
15 correct numbers. Exhibit 3's dates were corrected only.  
16 You'll see it, in Exhibit 2, I had "November 2011 to  
17 October 2012", and it should have been "2012", "2013"?

18 CMSR. HARRINGTON: That was my question.  
19 I was wondering how the dates changed.

20 WITNESS BLOOMFIELD: Yes. That's what  
21 the change in the dates was.

22 CMSR. HARRINGTON: Okay. Thank you.  
23 That clarifies it.

24 BY MR. TAYLOR:

{DG 12-270} {10-23-12}

[WITNESS: Bloomfield]

1 Q. Mr. Bloomfield, the Company's originally proposed new  
2 Cost of Energy charge is \$20.90. Does the revised  
3 undercollection number affect that proposed charge at  
4 all?

5 A. Yes. It increased it slightly, 18 cents an Mlb, from  
6 the \$20.90 to \$21.08.

7 Q. Thank you. Subject to those corrections, Mr.  
8 Bloomfield, is your testimony and the associated  
9 exhibits true and correct to the best of your  
10 knowledge?

11 A. Yes, it is.

12 Q. Mr. Bloomfield, does the cost -- does the Company's  
13 proposed Cost of Energy charge contain costs that were  
14 previously included in base rates?

15 A. Yes. We've got a number of production costs that are  
16 directly related to the production of steam, in terms  
17 of purchase of water, sewer charge, ash disposal costs,  
18 chemical costs, and air pollution/annual air permit  
19 fees. As those are directly related to the production  
20 of steam, we are requesting that those costs be  
21 transferred to our Cost of Energy, partially in  
22 anticipation of, when we get the new project on line,  
23 that all of our production costs will be in Cost of  
24 Energy. So, this is a step to it, and just trying to

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[WITNESS: Bloomfield]

1 move in that direction.

2 Q. Thank you. And, has the Company reached an agreement  
3 with Staff regarding the transfer of these costs to the  
4 Cost of Energy charge?

5 A. Yes. As part of the next case on the docket, our base  
6 rate usage case, we've come to a settlement to agree to  
7 transfer approximately \$312,000 of usage rate  
8 costs/base rate costs into the Cost of Energy.

9 Q. Thank you.

10 MR. TAYLOR: And, just for  
11 clarification, the case that Mr. Bloomfield is referring  
12 to that we have a Settlement Agreement in is Docket DG  
13 12-242.

14 BY MR. TAYLOR:

15 Q. Mr. Bloomfield, is it possible that some portion of the  
16 costs will ultimately be removed from the Cost of  
17 Energy charge and collected in delivery rates?

18 A. Yes. There's a percentage of the costs that we're  
19 working with Staff to determine if, in fact, all of  
20 those costs should be -- should remain in Cost of  
21 Energy, or if perhaps some percentage of them should be  
22 maintained in the base rates as a -- due to kind of  
23 general maintenance requirements of the operation.

24 Q. And, is it your understanding that, once an agreement

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[WITNESS: Bloomfield]

1 is reached with the Staff, there could be an adjustment  
2 to the Cost of Energy rate at the time the permanent  
3 rates go into effect?

4 A. Yes. That's correct.

5 MR. TAYLOR: I have no further  
6 questions.

7 CHAIRMAN IGNATIUS: Mr. Speidel.

8 **CROSS-EXAMINATION**

9 BY MR. SPEIDEL:

10 Q. Mr. Bloomfield -- Mr. Bloomfield, on Page 3 of your  
11 testimony, at Lines 11 to 14, I'll give you a chance to  
12 turn to that, and this would be in Exhibit 1.

13 A. Yes.

14 Q. On those lines, you explain that "all costs will be  
15 included in the Cost of Energy charge." Is it correct  
16 to say that these production costs will be shared  
17 proportionally between both the Power and Steam  
18 Divisions?

19 A. Yes. That's correct. When the new facility comes on  
20 line, Concord Power & Steam is a separate -- entirely  
21 separate entity, a separate corporation, with just  
22 different ownership, with different controls. Concord  
23 Steam will simply be buying steam from this entity as a  
24 finished product. So that Concord Steam will not be --

[WITNESS: Bloomfield]

1 will not be involved in the production of the equipment  
2 -- of the steam and will just be buying it as a  
3 finished entity.

4 Q. Thank you. These production costs that you've been  
5 referring to are listed in Schedules 2, 8, and 9 of the  
6 Cost of Energy filing. And, for instance, we can take  
7 a look at Schedule 2 as presented in Exhibit 3. Can  
8 you confirm that these charges are only used one time  
9 in Schedule 2 to calculate the rate?

10 A. You're talking about the additional charges that we'd  
11 like to transfer? Or, I'm not quite sure --

12 Q. The production costs that are included in the Cost of  
13 Energy charge, the shifted costs?

14 A. The shifted costs, yes. Yes. We're only trying to  
15 recover those once. And, as part of the Cost of  
16 Energy, we expect them to be fully reconcilable, that  
17 we'll go through every year, and, as we do with the  
18 rest of our Cost of Energy costs, and reconcile them  
19 with a Staff audit.

20 Q. Thank you. On Page 5 of your testimony, in Exhibit 1,  
21 specifically on Line 22, you note that wood is expected  
22 to meet about "70 percent" of the Company's fuel  
23 requirements for steam generation. Is this consistent  
24 with the Company's fuel mix over the past few years?

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[WITNESS: Bloomfield]

1 A. Yes, it has been pretty consistent. We have -- We burn  
2 basically as much wood as we can. And, then, when we  
3 get to our peak period of time, we are -- we do need to  
4 burn a certain amount of additional fuel. And, our  
5 additional fuel that we mostly burn nowadays is natural  
6 gas. We do have to burn some oil, because two of the  
7 boilers that we operate can only burn either oil or oil  
8 and wood. We have two other boilers that can burn gas.  
9 So, we do have to burn some oil, unfortunately. It's  
10 more expensive, but --

11 Q. And, what type of price volatility does the Company  
12 expect in the spot wood fuel market this winter?

13 A. We expect it to be relatively stable. The wood market  
14 can change depending upon the effect of the price of  
15 paper overseas, in the terms that it increases the pulp  
16 market. And, so, logs that might normally be shipped  
17 for fuel would go for pulp. And, so, it means they  
18 have to go further abroad, and so trucking costs are  
19 higher. So, our fuel costs could increase in that  
20 respect. Or, it also can affect -- weather can affect  
21 it. If it's a very wet fall or a very wet spring, it  
22 reduces production from the loggers, and they also tend  
23 to have to go further afield, and -- but, absent any  
24 significant changes, we don't foresee any.

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[WITNESS: Bloomfield]

1 Q. Has the Company experienced any wood supply disruptions  
2 in the past year?

3 A. No, we have not.

4 Q. Did the Company successfully add the newly opened  
5 Abbott-Downing School in Concord as a new steam system  
6 customer?

7 A. Yes, we have.

8 Q. Is the Company engaged in efforts to add to its steam  
9 system customer stable during the next year?

10 A. Yes. Now that the new project has gotten some  
11 traction, there are a number of the larger customers in  
12 town that, not only ones that we've lost over the past  
13 few years, but additional ones that we intend to  
14 contact and see if we can get them as new customers.

15 Q. You mention the fact that there have been some  
16 customers that have been lost. And, on Page 8, Line 20  
17 of your testimony, you note that "The Company lost  
18 three customers" during the past year. Do you know if  
19 these customers converted to an alternative fuel  
20 source?

21 A. Yes, they did. They converted to natural gas. With  
22 the exception of the buildings that were torn down, it  
23 wasn't really converted, you know, the Smile building  
24 and the Bindery building, those old buildings were torn

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[WITNESS: Bloomfield]

1 down. Those had been on gas, they're now -- I'm sorry,  
2 they had been on steam, now they're on gas.

3 Q. Does the Company expect to lose any additional customer  
4 load to natural gas during this next Cost of Energy  
5 year?

6 A. We do not expect to lose any in this coming year. We  
7 have talked to many of our customers and let them know  
8 that the future is looking good for the cost of steam  
9 and our project. And, so...

10 MR. SPEIDEL: Thank you, Mr. Bloomfield.

11 The Staff has no further questions.

12 CHAIRMAN IGNATIUS: Thank you.

13 Questions from the Commissioners?

14 CMSR. HARRINGTON: Yes. Good morning.

15 WITNESS BLOOMFIELD: Good morning.

16 CMSR. HARRINGTON: I've just got a few  
17 questions.

18 BY CMSR. HARRINGTON:

19 Q. One of them, just a clarification. On Page 8, which  
20 was just asked about, "lost three customers, including  
21 New Hampshire Bindery, [but] did not add any." And,  
22 then, I thought you just answered affirmative to a  
23 question that you added a school?

24 A. That's true. I guess that it's probably because the

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[WITNESS: Bloomfield]

1 school has been in action for so long. You know, we  
2 made the arrangement to tie up to them, oh, geez, a  
3 year and a half or two years ago now, and have only  
4 just come on line. So, yes, they're a customer, but  
5 it's --

6 Q. Okay. And, a question on Page 9 of your testimony, it  
7 talks about "steps [taken] to reduce losses of steam in  
8 its system", and you talk about "continued to repair  
9 and upgrade underground steam lines." Is the cost of  
10 this type of maintenance, is that being rolled into the  
11 Cost of Energy or is that staying in the base usage  
12 rates?

13 A. That's base usage rates, yes.

14 Q. Okay.

15 A. Yes. And, in fact, much of that repair gets  
16 capitalized.

17 Q. Okay. I was going to say, that seems to --

18 A. Yes.

19 Q. -- that's where it would seem it should be. A couple  
20 of other questions. Do you get renewable RECs, you  
21 know, for this through the Renewable Portfolio  
22 Standard?

23 A. We won't -- we don't qualify for it in this existing  
24 plant, but we will at the new plant.

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[WITNESS: Bloomfield]

1 Q. And, you don't qualify at the existing plant because of  
2 the pollution regulations?

3 A. Yes.

4 Q. Okay. Emission regulations?

5 A. Yes. The plant is old enough that we'd have to spend a  
6 number of millions of dollars to meet the requirements.

7 Q. And, when you do this, you are -- I notice you burn a  
8 mix of fuel. So, how are you going to account for that  
9 factor? I mean, if you burn -- usually, the RECs are  
10 given out in megawatt-hours, --

11 A. Uh-huh.

12 Q. -- but your megawatt-hours are going to be not  
13 100 percent wood. So, --

14 A. At the new facility, it's going to be 100 percent wood.

15 Q. Okay.

16 A. We'll have natural gas for a start-up on a boiler.  
17 And, then, we'll have low pressure back-up boilers, so  
18 that, when we're not -- when we're not -- when the wood  
19 boiler is down, we'll have steaming capability to meet  
20 our needs, but they will be on low pressure gas  
21 boilers. So, we won't be generating electricity. We  
22 would probably -- and, we would therefore not get the  
23 thermal RECs for that small amount of steam that would  
24 be generated by gas.

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[WITNESS: Bloomfield]

1 Q. So, basically, you will be getting RECs when you burn  
2 wood to produce electricity?

3 A. Yes. Correct.

4 Q. Okay. And, presently, you know, as you mentioned it,  
5 and I think we've seen a lot of this, and just -- I was  
6 just speaking to Commissioner Scott about they just  
7 announced a nuclear plant in the Midwest is closing  
8 down because of the economics of gas. You burn a mixed  
9 fuel. And, you say you're going to, you know,  
10 concentrate on burning wood. What would be the  
11 economics if you would burn more gas for this present  
12 winter coming up?

13 A. Even though gas is cheap, wood is still less expensive.  
14 We have looked at that hard. And, looked at, you know,  
15 we can -- we could reduce personnel, we could reduce  
16 maintenance costs. But the cost of wood, what we're  
17 paying, at, oh, it's something finished --

18 (Court reporter interruption.)

19 **BY THE WITNESS:**

20 A. The cost of wood, the finished heat output, with  
21 burning wood after allowing for boiler efficiency, is  
22 about \$5.00 a million Btu. And, the best we're getting  
23 for gas is -- I would say it's about -- it's about  
24 \$8.00 a million as raw product, so it would be pushing,

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[WITNESS: Bloomfield]

1           you know, 9, 9 and a half dollars a million Btu  
2           finished steam. So, gas, bottom line, gas is still  
3           more expensive for us, because of the delivery charge.  
4           You know, we can buy the product at \$3.50 or \$3.00, but  
5           the delivery charge pops it up for us.

6 BY CMSR. HARRINGTON:

7 Q.    And, is it also something about your boiler that just  
8           works -- operates more efficiently on wood more than on  
9           gas, or is that just --

10 A.    Yeah. No, it works really nice on gas. I really wish  
11           we could burn gas, but we don't have that luxury.

12 Q.    So, it's just because that the economics are you just  
13           get more heat per dollar out of wood than you do out of  
14           natural gas?

15 A.    That's right. Yes.

16                    CMSR. HARRINGTON: Okay. That's all the  
17           questions I had. Thank you.

18                    CHAIRMAN IGNATIUS: Thank you.

19           Commissioner Scott, questions?

20                    CMSR. SCOTT: Yes. Thank you. And,  
21           thank you for making the long trip over here.

22                    WITNESS BLOOMFIELD: Yes. Yeah, I know.  
23           It's a long trek.

24                    CMSR. SCOTT: I get to look at your

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[WITNESS: Bloomfield]

1 plant from my window every day.

2 BY CMSR. SCOTT:

3 Q. You mentioned the new facility a few times already.  
4 What's the latest status on that?

5 A. We have -- we've organized financing. We're getting in  
6 the -- looking at the last throws of getting the issue  
7 rated in order to be able to issue bonds on it. We've  
8 got equity investors committed to it and lined up, and  
9 the major equipment has been ordered. And, we've  
10 started some construction onsite. So, we haven't  
11 started big construction onsite yet, but we are -- we  
12 are moving forward on it.

13 Q. So, it's -- and, I know this is all tentative, sounds  
14 like, for financing and all that. Do you have a rough  
15 time frame on when you expect --

16 A. Yes. We expect on a complete closing on the bond issue  
17 the beginning of the year, beginning of next year. But  
18 there's equity funds that are being spent now, and  
19 bonds will kind of carry us through from forward on.

20 Q. And, so, what would your anticipated completion  
21 date --

22 A. Estimated completion is the Winter of 2013/14. We're  
23 hoping to synchronize the machine before the end of  
24 2013, and be up and operating on a consistent, reliable

{DG 12-270} {10-23-12}

[WITNESS: Bloomfield]

1 basis sometime in the early winter of 2014.

2 Q. And, the existing facility itself is owned by the  
3 state, is that correct, the one you're currently using?

4 A. That's correct. Yes. Yeah, we lease that from the  
5 state.

6 Q. Lease that. So, how does -- is there a decommissioning  
7 that you'll do or the state will do?

8 A. Our lease requires that we return that facility in  
9 operational condition. The state, however, has no  
10 interest in operating it. So, they have asked us to go  
11 through what do we need to do to decommission it and  
12 shut it down. We can't just completely walk away from  
13 it, because the steam distribution comes in -- into  
14 there, well, it goes out of there now, but will  
15 eventually come into there, and then go back out to the  
16 state campus here. So, we have some areas that we need  
17 to do some work on and make sure things don't freeze.  
18 But, yeah, we're working with the state to decommission  
19 it.

20 Q. Thank you. And, you also mentioned that you're working  
21 with Staff on the Cost of Energy versus delivery rate,  
22 and how do you put different components where. How's  
23 that been done historically? Because it struck me that  
24 this doesn't sound like a new issue, but yet we're

{DG 12-270} {10-23-12}

[WITNESS: Bloomfield]

1           grappling with it now?

2   A.   It's not a new issue.  We've been modifying it over the  
3       years.  I mean, you know, originally, it was just  
4       strictly fuel.  When we added the wood yard, we have  
5       now the cost of wood yard in Cost of Energy, because  
6       that's an expense directly related to the cost of wood  
7       fuel.  And, we're taking this next step, as I said,  
8       because we're just trying to get more of those costs  
9       into our Cost of Energy.  We have -- when the new plant  
10      comes on, we'll have a much lower usage rate, and all  
11      of the -- all of the production costs are going to be  
12      wrapped into the price of steam that we buy from  
13      Concord Power & Steam.  So, we'll be paying our share  
14      of their labor, their debt service, their operation and  
15      maintenance costs, but we're paying that all through in  
16      the price of steam that we buy.  So that the steam that  
17      we buy will cover all of the things that are now in our  
18      usage rate.  And, our usage rate will simply then cover  
19      what it costs to operate and maintain the distribution  
20      system itself, so...

21                           CMSR. SCOTT:  Thank you.

22                           CHAIRMAN IGNATIUS:  Thank you.

23   BY CHAIRMAN IGNATIUS:

24   Q.   Mr. Bloomfield, I think a year or so ago there was a

{DG 12-270} {10-23-12}

[WITNESS: Bloomfield]

1           dispute, maybe longer now, over a repair problem at the  
2           corner of Pleasant Street and Green/South Street, --

3   A.    Yes.

4   Q.    -- and the difference, I think, between FairPoint and  
5           Concord Steam over responsibility.  Where does that  
6           stand?

7   A.    As I understand it, it's still in the hands of the  
8           insurance companies.  That there was a steam leak that  
9           affected the other utility nearby.  But the -- part of  
10          the cause of the steam leak was some damage they had  
11          done to our steam line originally, when they had put  
12          their stuff in underneath ours.  And, so, it's going  
13          back and forth with the insurance company.  We haven't  
14          heard anything from them about it for months, six or  
15          eight months anyway.

16                           MR. SALTSMAN:  It's been a year.

17   BY THE WITNESS:

18   A.    Yeah.  Yeah.  Yeah, probably a year now.

19   BY CHAIRMAN IGNATIUS:

20   Q.    And, the repairs that have been done, were they done at  
21          the expense of both companies or at Concord Steam?

22   A.    We did -- we repaired all of our costs.  We took care  
23          of all of our costs, and they dealt with their costs.

24   Q.    If there were any recovery as a result of the insurance

{DG 12-270} {10-23-12}

[WITNESS: Bloomfield]

1 action, do you anticipate Concord Steam would see some  
2 reimbursement for some of those expenses?

3 A. I wouldn't hold my breath. It's possible. It's  
4 complicated. I mean, the fact there was a steam leak,  
5 we do get steam leaks. And, you know, it's very  
6 difficult to prove that it was because of them. So, --

7 Q. Is it possible it could go the other way, and that  
8 you --

9 A. It is possible. We feel pretty strongly that the  
10 evidence shows that, where the -- some of the problems  
11 were was where they had poured some concrete around one  
12 of our steam lines, and that's where the leak caused --  
13 that's where the steam then escaped from our outer  
14 casing and heated up their vault. So, --

15 Q. You're seeking that this Cost of Energy rate be  
16 implemented on a service rendered basis as of  
17 November 1, 2012?

18 A. Yes.

19 Q. All right. I think there's a typo on Page 9, which I  
20 assume is just a goof. So, that it is "2012", not  
21 "2011"?

22 A. Yeah. Yes.

23 Q. That's fine.

24 A. Yes.

{DG 12-270} {10-23-12}

[WITNESS: Bloomfield]

1 CHAIRMAN IGNATIUS: All right. I have  
2 no other questions. Any redirect, Mr. Taylor?

3 MR. TAYLOR: If I could just have a  
4 moment?

5 CHAIRMAN IGNATIUS: Please.

6 (Atty. Taylor conferring with Mr.  
7 Saltsman.)

8 MR. TAYLOR: We're all set. Thank you.

9 CHAIRMAN IGNATIUS: All right. Then, I  
10 think, is there any objection to striking the  
11 identification and making the three exhibits full exhibits  
12 to the file?

13 MR. TAYLOR: No objection.

14 CHAIRMAN IGNATIUS: All right. We'll do  
15 that.

16 CMSR. HARRINGTON: Actually, just one  
17 question I'm trying to get straight.

18 BY CMSR. HARRINGTON:

19 Q. What is the difference between Exhibit 2 and 3? They  
20 both have a Revised Schedule 1 in there, --

21 A. Yes.

22 Q. -- starting with the same date.

23 A. The only difference with 3 is, they're only the first  
24 three or four pages. You'll see where, on Exhibit 2,

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[WITNESS: Bloomfield]

1 the dates on the left-hand side go from "November '11"  
2 to "October '12", and, on Exhibit 3, they go from  
3 "November '12" to "October '13".

4 Q. Okay. So, Exhibit 3 is a correction to Exhibit 2,  
5 which is a correction to Exhibit 1?

6 A. Yes.

7 CMSR. HARRINGTON: Okay. Now, I get it.  
8 Thank you.

9 CHAIRMAN IGNATIUS: All right. Thank  
10 you for the clarification. So, we'll make those full  
11 exhibits. And, before we go to closings, sir, would you  
12 like to make a comment?

13 MR. LILLIOS: No. No thank you.

14 CHAIRMAN IGNATIUS: All right. Then,  
15 Mr. Speidel, closing comments?

16 MR. SPEIDEL: Thank you, Chairman.  
17 Staff has completed its review of the Cost of Energy  
18 forecast filed by Concord Steam for the upcoming winter  
19 period, and recommends approval of the proposed rate in  
20 the Cost of Energy filing to be implemented on a service  
21 rendered basis for the upcoming year. The demand forecast  
22 is consistent with those filed by the Company from  
23 previous winter periods and approved by the Commission.  
24 The 2011/2012 Cost of Energy year will close on

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1       October 31st, 2012, and the New Hampshire PUC Audit Staff  
2       will review those costs when the Cost of Energy  
3       reconciliation is filed by the Company. Any discrepancies  
4       between the prior year-end estimates of costs and  
5       collections used to develop this new Cost of Energy  
6       forecast will be addressed through the monthly adjustment  
7       mechanism when the Company's actual year-end results have  
8       been audited.

9                               In Docket DG 12-242, Concord Steam, the  
10       base rate case, the Company proposed to shift certain  
11       production-related costs from delivery rates to Cost of  
12       Energy rates. In the temporary rate proceeding, Staff was  
13       a signatory to the Settlement Agreement that excluded  
14       these in setting delivery rates, but provides for recovery  
15       of these costs in the 2012/2013 Cost of Energy rate.  
16       Staff and the Company will continue to review this issue  
17       in the base rate proceeding, and may have additional  
18       details to present to the Commission as part of the  
19       hearing for permanent rates in DG 12-242. Thank you.

20                           CHAIRMAN IGNATIUS: Thank you.

21       Mr. Taylor.

22                           MR. TAYLOR: Thank you. Concord Steam  
23       requests that the Commission approve the Cost of Energy  
24       rates as set forth in Mr. Bloomfield's testimony and the

1 supporting exhibits that have been marked today. The  
2 Company has been prudent in its effort to minimize the  
3 Cost of Energy for the upcoming heating season as  
4 reflected in its fuel mix, which is primarily wood, with  
5 some oil and some gas. The Company -- the Company  
6 procures natural gas through a competitive bid process,  
7 and actively manages the cost of its wood.

8 With respect to the categories of costs  
9 that the Company proposes to transfer from usage rates to  
10 the Cost of Energy charge, the Company believes that they  
11 are more appropriately recovered through the Cost of  
12 Energy for the reasons discussed by Mr. Bloomfield today.  
13 As Mr. Bloomfield testified, the Company has reached an  
14 agreement with the Staff that would allow the transfer of  
15 the costs to occur for the 2012/2013 Cost of Energy year.  
16 Although, the Company and the Staff expect that some  
17 percentage of those costs may be reflected in delivery  
18 rates, and that will be subject to negotiations in DG  
19 12-242.

20 Concord Steam appreciates the  
21 opportunity to have been heard today, and requests that  
22 the Commission approve its Cost of Energy filing as  
23 submitted. Thank you.

24 CHAIRMAN IGNATIUS: Thank you. Unless

1 there's anything further, we will, I see nothing, we will  
2 take it under advisement. We understand the request for a  
3 very prompt turnaround of an order by November 1st, and we  
4 will make our deadline. So, with that, we'll close the  
5 hearing, and reconvene at 10:00 in the other Concord Steam  
6 related case. Thank you.

7 **(Whereupon the hearing ended at 9:46**  
8 **a.m.)**

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