

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

Docket No. DG 16-XXX

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
Petition for Approval of Asset Purchase Agreement with Concord Steam Corp.

PRE FILED DIRECT TESTIMONY

OF

PETER BLOOMFIELD, P.E.

July 21, 2016

1 **Q: Please state your name and address.**

2 A: My name is Peter G. Bloomfield. My business address is P.O. Box 2520, Concord,
3 New Hampshire 03302.

4 **Q: Where are you employed and what position do you hold?**

5 A: I am President of Concord Steam Corporation ("Concord Steam").

6 **Q: Please describe your education and professional background.**

7 A: I graduated from Union College in 1976 with a B.S. in Mechanical Engineering. I
8 am a registered Professional Engineer in New Hampshire, New York, and
9 Colorado. I have been employed as an engineer in the steam and power industry
10 since I graduated from college. I became president of Concord Steam in the fall
11 of 1986.

12 **Q: Have you previously testified before this Commission?**

13 A: Yes. I have provided testimony in support of Concord Steam's past filings,
14 including its last usage rate case, DG 12-242.

15 **Q: What is the purpose of your testimony?**

16 A: My testimony is provided in support of the Joint Petition for Approval of an
17 Asset Purchase Agreement ("APA") filed with the Commission by Concord
18 Steam and Liberty Utilities (EnergyNorth Natural Gas) Corp. ("EnergyNorth").
19 The prefiled direct testimonies of EnergyNorth's witnesses, William J. Clark and
20 Stephen R. Hall, explain the major provisions of the APA. My testimony
21 explains the reasons behind Concord Steam's decision to enter into the APA. In

1 addition, my testimony explains Concord Steam's plans to coordinate with
2 EnergyNorth to provide Concord Steam's customers with a smooth transition
3 from steam service to natural gas service provided by EnergyNorth.

4 **Q. Please explain why Concord Steam entered into the APA?**

5 A. Concord Steam entered into the APA with EnergyNorth as part of Concord
6 Steam's plan to discontinue providing steam service and to cease operations as a
7 public utility. The APA will allow Concord Steam to provide customers with an
8 orderly conversion to another service provider (i.e., EnergyNorth) prior to
9 closure and spare them the higher rates that Concord Steam would otherwise be
10 required to charge if Concord Steam were to continue operating.

11 **Q. Please explain why Concord Steam has decided to discontinue providing**
12 **steam service.**

13 A. The decision to discontinue service is based largely on the fact that Concord
14 Steam faces the classic "death spiral" scenario. Concord Steam's largest
15 customer, the State of New Hampshire, through its Department of
16 Administrative Services, is seeking to convert all of the State buildings currently
17 served by Concord Steam to natural gas service within the next few years. In
18 2015, the State issued a request for proposals ("RFP") from third parties to
19 convert all of the State's buildings from steam to natural gas. The State canceled
20 the RFP in April 2016, after a year of work on it and has issued a similar RFP on
21 May 27, 2016 to accomplish the same conversion. Commissioner Vicki Quiram of

1 the Department of Administrative Services told Concord Steam on May 18, 2016
2 that the State, through the RFP process with support from the Governor's office,
3 is intending to convert all of its building by the heating season 2019/2020,
4 provided that it gets Executive Council approval this year.

5 The State's continued interest in converting its buildings from steam and
6 its refusal to enter into a long term contract for steam, has made it impossible to
7 finance Concord Steam's project to renovate and make improvements to the
8 existing steam plant that would enable us to reduce our costs and become more
9 competitive. The desire of the State to discontinue taking steam service and the
10 coverage in the local news concerning the State's intent has created concern
11 among our customers. Some customers have already left Concord Steam's
12 system; by the end of 2016, we will have lost 12% of our steam load. The loss of
13 the significant revenue from the State would require Concord Steam to raise
14 rates charged to other customers to a level that would undoubtedly cause the
15 remaining customers to switch to a less expensive energy source, thereby
16 eliminating the need for the Company's services. This classic "death spiral"
17 scenario would cause Concord Steam to experience unacceptable financial loss.
18 Given all of these circumstances, Concord Steam is choosing to close and sell its
19 assets because it believes that this is the most economical and responsible path
20 for all of its customers.

1 As part of the closure plan, EnergyNorth has agreed to assist in the
2 conversion of Concord Steam's customers to natural gas in a controlled and
3 orderly fashion. This will result in an efficient transition for all customers from
4 steam to gas. We expect this transition to be completed by May 31, 2017.

5 **Q. Please explain how the APA enables Concord Steam to work with**
6 **EnergyNorth to coordinate customer conversions from steam to natural gas**
7 **service?**

8 A. Under the APA, Concord Steam will sell to certain of its assets to EnergyNorth.
9 These assets include, among other things: customer contact, billing and usage
10 information which customers have authorized for release to EnergyNorth; steam
11 system distribution maps; and real property interests. Concord Steam's ability to
12 share customer information with EnergyNorth will enable both companies to
13 work together to develop a plan for the orderly transition of steam customers to
14 natural gas service on a schedule that will allow for conversions to be made as
15 EnergyNorth upgrades its distribution system to accommodate these new
16 customers.

17 **Q. Over what period of time will the conversion of Concord Steam's customers to**
18 **natural gas service occur?**

19 A. During the 2016 construction season, it is our understanding that EnergyNorth
20 expects to convert eight (8) Concord Steam customers to natural gas service.
21 Because EnergyNorth must upgrade its natural gas distribution system in order

1 to convert additional customers, it is expected that such conversions will not
2 occur until the 2017 construction season begins in April 2017. It is anticipated
3 that all of Concord Steam's customers, with the possible exception of the State of
4 New Hampshire, will be converted to natural gas service prior to the
5 commencement of the 2017/2018 heating season.

6 **Q. Does the APA provide benefits to Concord Steam's customers?**

7 A. Yes. The purchase price paid to Concord Steam under the APA will enable
8 Concord Steam to pay expenses that would otherwise be passed on to steam
9 customers in the form of higher rates. Although Concord Steam is currently
10 seeking an emergency rate increase of 27%, we estimate that rates would
11 continue to increase if Concord Steam were to continue operations (i.e., without
12 the APA). We estimate that if Concord Steam continued operations beyond
13 2017, a rate increase of over 32% would be needed. *See Attachment PB-1.*¹ Thus,
14 customers are better off from a rate perspective with the APA, than without it.
15 Customers will also benefit from the fact that the APA will enable EnergyNorth
16 and Concord Steam to work in a coordinated fashion to provide steam customers
17 with a smooth transition to natural gas service in a relatively short period of
18 time.

¹ Additional schedules providing support for the rate increase that Concord Steam would need if it continued operating and did not go forward with the APA are provided with Concord Steam's Petition for Emergency Rates and to Discontinue Service.

1 **Q: Have Concord Steam's customers been formally notified of Concord Steam's**
2 **intention to discontinue providing steam service?**

3 A: No. However, we have contacted a few of the major customers. All customers
4 will be notified by mail once Concord Steam's petition to discontinue service is
5 submitted to the Commission. We will be working with all of our customers to
6 ensure that they will have heat in the fall of 2017. We will also publish a notice in
7 the Concord Monitor, and take any other steps that the Commission may deem
8 appropriate to inform our customers about the proposed plan to convert them
9 from steam to natural gas service.

10 **Q. Are there any other issues that Concord Steam wishes to note regarding the**
11 **customer conversions?**

12 A. Yes. Concord Steam is concerned about collecting past due amounts from
13 customers who have converted to natural gas service. Once customers leave our
14 system, it may be difficult for Concord Steam to pursue payment from those
15 customers. Thus, we would like the Commission to require that conversions not
16 occur until outstanding amounts owed to Concord Steam have been paid in full.

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

18 A. Yes.