

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DG 06-139**

**CONCORD STEAM CORPORATION**

**Petition for Approval of a Special Contract for the Concord Family YMCA**

**Order *Nisi* Approving Special Contract**

**ORDER NO. 24,776**

**July 12, 2007**

On September 29, 2006, Concord Steam Corporation (Concord Steam) filed a petition for approval of a special contract with the Concord Family YMCA (YMCA), a non-profit organization providing services to the public in Concord, together with a copy of the proposed special contract. Subsequently, Concord Steam filed revised versions of the proposed special contract on November 10, 2006, and May 16, 2007. We review and rule on the most recent version of the contract in this order.

Concord Steam asserts that special circumstances exist which render a departure from its general tariff schedules just and consistent with the public interest. According to the Company, the proposed special contract pricing takes account of the marginal cost of serving the YMCA and contributes toward Concord Steam's fixed costs. In addition, Concord Steam states that the YMCA has experienced significant financial difficulties given the pressures on non-profit entities, yet seeks to continue to provide services to the community while meeting its financial obligations to Concord Steam. The proposed special contract states that the YMCA has considered reducing the amount of steam purchased or switching to an alternative fuel source in order to reduce long term costs and that the contract will benefit all customers. Retention of the YMCA's steam load is important because it constitutes approximately 15 percent of the

Company's summer steam sales and a significant portion of the Company's annual steam sales. According to the Company, the contract will enable the YMCA to continue its operations and provide a regular revenue stream to the Company for services rendered, while eliminating the risk that the Company will lose the YMCA steam load.

The special contract has a ten-year term, commencing on September 30, 2006 according to its terms. (Although the cover page states that the contract is effective on February 28, 2007 subject to Commission approval, we presume that that date is superseded by the language in the most recent version of the special contract.) Monthly payments under the contract are determined by multiplying the Company's current, lowest tier base rate by the expected (set) annual usage and adding the current energy rate times the expected (set) annual usage, and then dividing the total by 12. The set annual usage is assumed to be 4,080 Mlbs. per year, whether or not the YMCA uses such amount of steam. However, if the annual usage increases or decreases by more than 10 percent, the set annual usage would be renegotiated and such renegotiated amount will be effective on approval of the Commission. Amounts due under the contract would be paid in accordance with tariff terms, including the applicable interest rate applied to unpaid balances. If the YMCA were to terminate the contract prior to its expiration, it would pay Concord Steam an early termination payment equal to the Company's lowest tier base rate times the set annual usage, divided by 12, with the total then multiplied by the remaining months of the contract. Unlike the earlier versions filed with the Commission, the special contract does not provide for any debt forgiveness.

On July 9, 2007, Staff filed a memorandum recommending approval of the special contract. Staff discussed the importance of load retention to the Company and its customers and

explained that the early termination provision encourages the YMCA to remain as a Concord Steam customer. Based on an analysis of the data, Staff also concluded that the proposed special contract rates are not likely to be less than the Company's estimated long run marginal costs.

RSA 378:18 requires the Commission to approve a special contract when "special circumstances exist which render such departure from the general schedules just and consistent with the public interest." We review the Company's filing with this in mind, giving consideration to the policy precepts established in *Generic Discount Rates*, 77 NH PUC 650, (1992) and *Generic Discounted Rates Docket*, 78 NH PUC (1993).

Load retention is an important consideration for Concord Steam, especially since the YMCA load is approximately 15 percent of its summer steam sales and a significant portion of its annual steam sales. Staff notes that under the special contract, Concord Steam will experience some revenue loss – but if Concord Steam were to lose the YMCA load altogether, it would suffer significant revenue loss. Staff estimates that under the special contract, Concord Steam will retain \$36,000 in annual revenues to be applied toward its fixed costs compared to a loss of \$46,000 in annual revenues if the YMCA's load is not retained. In addition, according to Staff's calculations, the monthly rate under the special contract is not below Concord Steam's estimated long run marginal cost of providing service to the YMCA, a standard that the Commission has required since *Generic Discount Rates*, 77 NHPUC 650, *supra*, in order to prevent other customers from unreasonably subsidizing special contract holders.

Based upon our review and Staff's recommendation, we find that special circumstances exist which justify the departure from standard tariff rates and which render the special contract in the public interest. In light of the importance of the YMCA's load to Concord Steam and the

realistic possibility that the YMCA might switch to an alternative fuel, we approve the special contract.

Regarding lost fixed cost recovery resulting from the discount to base rates, although Concord Steam is not seeking to recover revenue loss at this time, we will review any proposal that the Company makes in the future that seeks to recover revenue losses pertaining to the special contract to ensure that it is appropriate in light of any changed circumstances that may exist at that time.

**Based upon the foregoing, it is hereby**

**ORDERED *NISI***, that subject to the effective date below, the Commission approves the special contract; and it is

**FURTHER ORDERED**, that the Petitioner shall cause a copy of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than July 23, 2007 and to be documented by affidavit filed with this office on or before August 10, 2007; and it is

**FURTHER ORDERED**, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than July 30, 2007 for the Commission's consideration; and it is

**FURTHER ORDERED**, that any party interested in responding to such comments or request for hearing shall do so no later than August 6, 2007; and it is

**FURTHER ORDERED**, that this Order *Nisi* shall be effective August 10, 2007, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

**FURTHER ORDERED**, that the Petitioner shall file a compliance tariff with the Commission on or before August 10, 2007, in accordance with N.H. Admin. Rules Puc 1603.02(b).

By order of the Public Utilities Commission of New Hampshire this twelfth day of July, 2007.

---

Thomas B. Getz  
Chairman

---

Graham J. Morrison  
Commissioner

---

Clifton C. Below  
Commissioner

Attested by:

---

Debra A. Howland  
Executive Director & Secretary