

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 12-242

CONCORD STEAM CORPORATION

Petition for Permanent Rate Increase

**Order Suspending Proposed Tariff and Scheduling Prehearing Conference
and Temporary Rate Hearing**

ORDER NO. 25,410

September 14, 2012

On September 5, 2012, Concord Steam Corporation (Concord Steam) filed with the Commission a petition for an increase in its annual revenue requirement of \$862,584, or 21 percent. Concord Steam indicates that this increase comprises two rate components: (1) a \$549,600 increase to be recovered through distribution rates; and (2) a \$312,984 increase to be recovered through the Cost of Energy rate. The distribution rate increase would be spread proportionally among the three tiers of Concord Steam's declining block rate structure. In addition, the petition seeks temporary rates equal to the distribution rate increase (of \$549,600) for service rendered on and after November 1, 2012. (Concord Steam's petition for temporary rates has one isolated reference to an increase in the amount of \$507,713, a likely typographical error). Also, the petition seeks waivers of certain filing requirements of N.H. Code Admin. Rules Puc 1604.01(a).

Concord Steam states that during the test year ending December 31, 2011, it earned a return of negative 6%. According to Concord Steam, the low return is due to its declining sales, coupled with the effects of inflation on Concord Steam's operating and maintenance costs. If its proposal were adopted, Concord Steam's block rates would change as follows:

Steam Usage Rate	Current Rate (per Mlb)	Proposed Rate (per Mlb)
First 500 Mlbs per month	\$18.54	\$22.86
500-2000 Mlbs per month	\$16.27	\$20.59
2000 or more Mlbs per month	\$13.48	\$17.80

Concord Steam proposes a rate of return of 6.00%, substantially below its 8.41% weighted cost of capital as calculated by Concord Steam based on its current capital structure, and a return on equity of 9.75%. The proposed rate of return reflects Concord Steam's expectation that it will be able to reduce costs and lower rates when it begins purchasing its steam needs from Concord Power and Steam at the end of 2013. In support of its petition for temporary rates, Concord Steam contends that because the significant majority of its steam sales are in the winter heating months, postponing a rate increase during the course of the upcoming 2012-2013 winter heating season would aggravate its under-earning position. Therefore, Concord Steam contends that its temporary rates ought to be set at the level of its permanent rate request.

RSA 378:6 provides that pending any investigation of a rate schedule which represents a general rate increase, the Commission may suspend the taking effect of such a tariff filing for up to 12 months in order to investigate whether the proposed rates are just, reasonable and otherwise consistent with applicable law. We determine that such suspension and investigation are necessary under RSA 378:6.

The filing raises, *inter alia*, issues related to whether the proposed permanent rates are just, reasonable, and lawful pursuant to RSA 378:7; whether the proposed rates yield a reasonable return on the cost of Concord Steam's property that is prudent as well as used and

useful in the public service pursuant to RSA 378:27 and RSA 378:28; whether the rate design and rate of return proposed by Concord Steam are fair and equitable and allow for continued safe and reliable operations and maintenance of an adequate customer base¹; whether Concord Steam's proposed recovery of costs through the 2012 Cost of Energy Rate is permissible, just, and reasonable, and whether such costs were prudently incurred; and whether temporary rates on the terms proposed by Concord Steam are appropriate, and if so, how any recoupment or refund, if needed, should be implemented.

Each party has the right to have an attorney represent them at the party's own expense. Concord Steam's petitions, and subsequent docket filings, are posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2012/12-242.html> .

Based upon the foregoing, it is hereby

ORDERED, that the proposed tariff pages for steam service filed by Concord Steam be, and hereby are, **SUSPENDED** pursuant to RSA 378:6, I(a) pending investigation and further order by the Commission; and it is

FURTHER ORDERED, that a Prehearing Conference, pursuant to N.H. Code Admin. Rules Puc 203.15, and hearing on the petition for temporary distribution rates be held before the Commission located at 21 South Fruit Street, Suite 10, Concord, New Hampshire on October 23, 2012 at 10:00 a.m., at which each party will provide a preliminary statement of its position with regard to the petition and any of the noticed issues, including the matter of temporary rates; and it is

¹ Concord Steam has previously stated that as it finalizes plans to construct a new generation plant that it expects will substantially reduce steam rates, it must temper rate increase requests in order to retain current customers who have the option to change fuel sources. See Docket DG 09-139, Transcript 10/15/09 at 11.

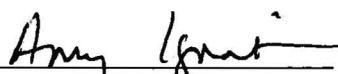
FURTHER ORDERED, that Concord Steam, the Staff of the Commission and any interested parties hold a Technical Session at the Commission on October 4, 2012 at 9:00 a.m. to review the petition and allow Concord Steam to provide any amendments or updates to its filing; and it is

FURTHER ORDERED, that pursuant to N.H. Code Admin. Rules Puc 203.12, Concord Steam shall notify all persons desiring to be heard at this hearing by publishing a copy of this Order of Notice no later than September 24, 2012, in a newspaper with general circulation in those portions of the state in which operations are conducted, publication to be documented by affidavit filed with the Commission on or before October 23, 2012, and it is

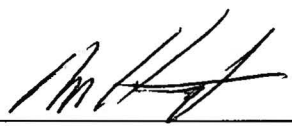
FURTHER ORDERED, that pursuant to N.H. Code Admin. Rules Puc 203.17, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a Petition to Intervene with copies sent to Concord Steam and the Office of the Consumer Advocate on or before October 18, 2012, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interest may be affected by the proceeding, as required by N.H. Code Admin. Rules Puc 203.17 and RSA 541-A:32, I(b); and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before October 23, 2012.


By order of the Public Utilities Commission of New Hampshire this fourteenth day of
September, 2012.



Amy L. Ignatius
Chairman




Michael D. Harrington
Commissioner



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director