

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 12-242

CONCORD STEAM CORPORATION

Notice of Intent to File Rate Schedules

Order on Petition for Temporary Rates and Addressing Waiver Requests

ORDER NO. 25,432

October 30, 2012

APPEARANCES: Patrick H. Taylor, Esq., of McLane, Graf, Raulerson & Middleton, P.A., on behalf of Concord Steam Corporation; and Alexander F. Speidel, Esq., for the Staff of the Public Utilities Commission.

I. PROCEDURAL HISTORY

On September 5, 2012, Concord Steam Corporation (Concord Steam), a utility providing steam service to primarily commercial and institutional customers in Concord, filed with the Commission a petition seeking an increase in its permanent steam distribution rates. Concord Steam indicated that this increase in its annual revenue requirement of \$862,584, or 21 percent, 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 (COE) rate. Concord Steam, as part of this filing, also requested that temporary rates, pursuant to RSA 378:27, be granted effective with service rendered on or after November 1, 2012, with distribution rate, *i.e.*, \$549,600 and COE, *i.e.*, \$312,984 components at the same level as permanent rates. Also, the petition seeks waivers of certain filing requirements of N.H. Code Admin. Rules Puc 1604.01(a).

On September 14, 2012, the Commission issued Order No. 25,410 suspending Concord Steam's proposed tariff revisions and scheduling a pre-hearing conference and a hearing on

Concord Steam's request for temporary rates for October 23, 2012. *See Concord Steam Corporation*, Order No. 25,410 (September 14, 2012).

On October 19, 2012, Concord Steam, with the concurrence of Staff, filed a settlement agreement reached between Concord Steam and Staff with regard to temporary rates. *See* Hearing Exhibit 2, Settlement Agreement, October 19, 2012. The Settlement Agreement provided for an increase in Concord Steam's annual revenue of \$582,412, of which \$269,428 would be recovered through an increase in base rates, and \$312,984 would be recovered through a shift of certain steam production costs to Concord Steam's 2012-2013 Cost of Energy (COE) rates. Schedule A to the settlement agreement, as revised, indicates the rate-design structure for the implementation of this temporary rate increase in base rates, for service rendered on and after November 1, 2012. *See* Hearing Exhibit 3, Revised Settlement Agreement Schedule A. As part of its settlement agreement filing, Concord Steam also requested that the Commission waive N.H. Admin. Rules Puc 203.20(e), requiring that settlement agreements be filed five days prior to a hearing.

Also on October 19, 2012, Stephen P. Frink, Assistant Director of the Commission's Gas and Water Division, submitted written pre-filed testimony regarding Staff's position on the settlement agreement. *See* Hearing Exhibit 4, Staff Testimony of Stephen Frink, October 19, 2012. The hearing on temporary rates was held on October 23, 2012, as scheduled.

II. POSITIONS OF THE PARTIES AND STAFF

A. Concord Steam

Concord Steam's original petition for temporary rates sought an annualized revenue increase of \$862,584, equal to that sought in Concord Steam's request for permanent rates. Concord Steam sought enhanced cash flow through the imposition of temporary rates, a need made more pressing by Concord Steam's negative return on equity during the 2011 test year. *See* Hearing Exhibit 1, Direct Testimony of Peter Bloomfield, at 15-16.

Concord Steam accepted Staff's request for a downward adjustment of \$280,172 to the delivery-rate component of its temporary rate increase request, in the context of settlement negotiations, for an agreed-upon delivery rate increase figure of \$269,428. Concord Steam also accepted Staff's limitation, as part of the settlement agreement, of the shift in steam production costs sought by Concord Steam to the 2012-2013 COE charge during the period for which temporary rates are in effect. *See* Hearing Exhibit 2 at 2-3.

The implementation of the distribution rate increase component of the settlement agreement on Concord Steam's rate classes would be as follows (*see also* Hearing Exhibit 3, Revised Schedule A), representing an increase in 12.6% in distribution rates for all classes:

| Steam Usage Rate | Current Rate (per Mlb) | Proposed Rate (per Mlb) |
|-----------------------------|-------------------------------|--------------------------------|
| First 500 Mlbs per month | \$18.54 | \$20.88 |
| 500-2000 Mlbs per month | \$16.27 | \$18.32 |
| 2000 or more Mlbs per month | \$13.48 | \$15.18 |

B. Staff

Staff, in its pre-filed written testimony, explained its rationale for supporting the settlement agreement as providing needed rate relief for Concord Steam in a just and reasonable fashion. *See* Hearing Exhibit 4, Frink Testimony. Staff testified regarding the need to limit the bill impacts of temporary rates to enable Concord Steam to retain existing customers. Staff indicated that, while it initially supported the shift in steam-production costs to the 2012-2013 COE rate, Staff sought to explore this issue further as part of the permanent rate proceeding. Staff also noted that any difference between temporary and permanent rates would be reconcilable so that any resulting under or over recovery during the temporary rate period could be addressed at that time. *Id.*

III. COMMISSION ANALYSIS

We will employ the standard used to evaluate settlement agreements as we consider this settlement on temporary rates. New Hampshire Code of Administrative Rules Puc 203.20(b) provides that the Commission shall approve the disposition of any contested case by settlement “if it determines that the result is just and reasonable and serves the public interest.” *See also* RSA 541-A:31, V(a). Even where all parties enter into a settlement agreement, however, the Commission cannot approve it “without independently determining that the result comports with applicable standards.” *Unitil Energy Systems, Inc.*, Order No. 24,677 (October 6, 2006); *see also Northern Utilities, Inc.*, Order No. 25,252 (July 22, 2011). Based on the record in this case, we find the revenue increase set forth in the settlement agreement to be appropriate and the resulting rates to be just and reasonable.

In its filing for permanent rates, Concord Steam indicated that its financial performance in 2011 was poor, and, barring rate relief, Concord Steam expects continued deterioration in its financial performance. Concord Steam expects that the granting of a temporary rate increase would alleviate these problems. *See* Hearing Exhibit 1, Direct Testimony of Peter Bloomfield at 2-9.

The test year selected by Concord Steam for the rate case is the twelve-month period ended December 31, 2011. The level of earning and other issues will be explored in depth during the examination of Concord Steam's filing for permanent delivery rates. For purposes of temporary rates and the more limited investigation envisioned by RSA 378:27, we find that the records of Concord Steam justify an increase in rates on a temporary basis. *See Appeal of the Office of Consumer Advocate*, 134 N.H. 651, 660 (1991).

As to the amount of the temporary rate increase, Staff and Concord Steam have agreed that \$582,412 represents a reasonable increase on a temporary basis. We concur that the amount of the increase is reasonable. Moreover, this increase may help to "bridge the gap" to new permanent rates and decrease any potential rate shock resulting from the institution of new permanent rates at the conclusion of the case. We also approve the settlement agreement's shifting of certain test year steam-production costs, totaling \$312,984, as part of the \$582,412 increase figure, for recovery during through the 2012-2013 COE rate, as just and reasonable, subject to Staff's caveat that further review of this issue is warranted. We will consider this cost shift in a separate order concerning Concord Steam's proposed COE rate for November 1, 2012 through October 31, 2013 period. We also approve Concord Steam's request for a waiver pursuant to Puc 203.20(f), because this would promote the orderly and efficient conduct of this

proceeding, and would not impair the rights of any party to this proceeding. Accordingly, we approve the Settlement Agreement on temporary rates as filed by Staff and Concord Steam, as well as the rate changes resulting from it.

We turn to Concord Steam's request for waiver of a number of the rate case filing requirements found at Puc 1604.01(a). First, Concord Steam seeks a waiver of the requirement to file a cost of service study because it does not intend to alter its rate design. Additionally, Concord Steam requests waivers of the requirements to file Form 10K and Form 10Q from the Securities and Exchange Commission (SEC), a depreciation study, quarterly income statements and a statistical report, contending that such items are not available. Finally, Concord Steam seeks waivers of the filing requirements relative to parent and subsidiary relationships because such documentation is inapplicable to Concord Steam.

After reviewing Concord Steam's filing, pursuant to Puc 201.05, we will grant the requested waiver for a cost of service study, as there is no change proposed in Concord Steam's rate design. Undertaking the time and expense of a cost of service study in this instance would not serve the public interest. We also grant the requested waiver regarding parent and subsidiary relationships, as they are inapplicable to Concord Steam. The requirement that Concord Steam file SEC forms is also waived, because Concord Steam is not publicly traded and is not required to file a Form 10K or 10Q. Similarly, the requirement of statistical reports applies only to gas and electric utilities and therefore we will waive those reports.

We next consider the reports that Concord Steam states are unavailable. Concord Steam has not undertaken a depreciation study for this filing. Given the aging generation infrastructure that Concord Steam intends to retire within the next two years, and the desire to keep rate case

expenses to a minimum for a small company facing competitive pressures, we conclude there is not sufficient value to be gained from a depreciation study on Concord Steam's assets. The time and expense of a full depreciation study in this instance does not serve the public interest and we waive the requirement pursuant to Puc 201.05. During the discovery process in this docket, however, Concord Steam should be prepared to discuss the depreciation rates applied to its assets.

Our rules require quarterly income statements for the previous five years, which Concord Steam states are not available. Given the desire to keep rate case expenses at a minimum, we will not require Concord Steam to create such income statements at this time. The information, on an annual basis, is contained within the reports on file with the Commission and thus we will grant the waiver pursuant to Puc 201.05. During the course of discovery, however, Concord Steam should be prepared to discuss the information contained within these reports and break out the data on a quarterly basis, if so requested by Staff.

Based upon the foregoing, it is hereby

ORDERED, that the that the terms of the settlement agreement presented by the parties are hereby adopted and approved as discussed herein; and it is

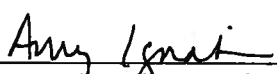
FURTHER ORDERED, that commencing with service rendered on and after November 1, 2012, Concord Steam may apply increased distribution rates on its customer classes, as shown in Attachment A to the settlement agreement, as revised, and discussed herein; and it is

FURTHER ORDERED, that Concord Steam shall file with the Commission properly annotated tariff pages consistent with the settlement agreement within 10 days of the date of this order, as required by N.H. Admin. Rules Puc 1603; and it is

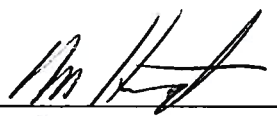
FURTHER ORDERED, that Concord Steam's request for waiver of certain filing requirements is GRANTED; and it is

FURTHER ORDERED, that the request for waiver of N.H. Admin. Rules Puc 203.20(e) with respect to the settlement agreement is GRANTED.

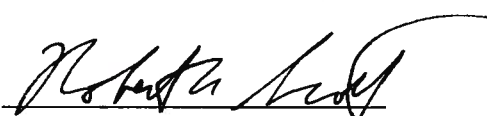
By order of the Public Utilities Commission of New Hampshire this thirtieth day of October, 2012.



Amy L. Ignatius
Chairman

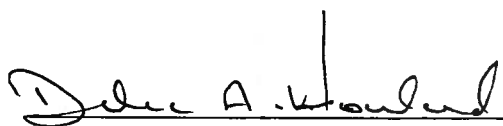


Michael D. Harrington
Commissioner



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director