

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 15-377

CONCORD STEAM CORPORATION

2015-2016 Cost of Energy Adjustment

Order Approving Cost of Energy Rate

ORDER NO. 25,835

October 30, 2015

APPEARANCES: Peter Bloomfield and Mark Saltsman for Concord Steam Corporation, *pro se*; and Alexander F. Speidel, Esq., for the Staff of the Public Utilities Commission.

In this order, the Commission approves Concord Steam Corporation's 2015-2016 cost of energy rate of \$25.22 per Mlb. Under the approved rate, customer bills for the upcoming year should be very similar to last year's bills.

I. PROCEDURAL HISTORY

On September 11, 2015, Concord Steam Corporation (Concord Steam), a public utility providing steam to mostly commercial and institutional customers in Concord, filed its annual cost of energy (COE) rate adjustment for the period November 1, 2015, through October 31, 2016. The filing included the testimony of Concord Steam's President, Peter G. Bloomfield. *See* Hearing Exhibit 1. During its review of this matter, Commission Staff (Staff) propounded discovery on Concord Steam, pursuant to RSA 374:4. Concord Steam also reviewed updated status reports from Concord Steam filed pursuant to Commission Order No. 25,728 (Oct. 28, 2014), issued in Docket No. DG 14-233 (Status Reports). There were no intervenors, and the hearing was held as scheduled on October 19, 2015. On October 20, 2015, Concord Steam filed certain corrections to its oral testimony provided at the October 19, 2015 public hearing.

See Letter to Executive Director Debra Howland from Mark Saltzman, October 20, 2015.

Certain information relating to Docket DG 14-233 was discussed during a confidential portion of the hearing, for which Concord Steam seeks confidential treatment pursuant to N.H. RSA Chapter 91-A. See, e.g., Transcript of October 19, 2015 Hearing (Tr.) at 14-15. A separate order will be issued addressing the request for confidential treatment. We will take up the various issues raised in this proceeding related to DG 14-233 in that docket.

II. POSITIONS OF THE PARTIES AND STAFF

A. Concord Steam

Concord Steam, through the written testimony of Mr. Bloomfield¹, and the oral testimony of Mr. Bloomfield, addressed: (1) Concord Steam's proposed COE rate and the resulting bill impacts; (2) its fuel purchase strategy; (3) the sales forecast and unaccounted-for steam; (4) its co-generation operations; and (5) developments relating to its physical plant, including matters subject to Concord Steam's Status Reports.

1. Proposed COE Rate and Bill Impacts

Concord Steam's filing requests a COE rate for the coming year of \$25.22 per 1,000 pounds (Mlb.) of metered steam. This proposed COE rate represents a decrease of \$0.88 per Mlb below the current COE rate of \$26.10 per Mlb. The COE rate is subject to a "collar" that permits Concord Steam, without further Commission action, to adjust the COE rate on a monthly basis upward or downward by up to 20 percent as necessary to minimize the over/under collection balance. See, e.g., *Concord Steam Corp.*, Order No. 23,822 (November 1, 2001). The total bill impact of the filing request represents a decrease of 3.4 percent.

¹ Exhibit 1.

2. Fuel Purchase Strategy

Mr. Bloomfield testified that during this upcoming winter, about 80 percent of the steam will be generated by burning wood and the remaining 20 percent will come from burning natural gas. Exhibit 1 at 5. For its wood supply, Concord Steam has entered into contracts that will result in a delivered wood price of approximately \$27 per ton. Exhibit 1 at 5. Of this \$27 per ton, about \$1 is for the cost of the wood, \$13 is for labor and chipping, and \$13 is for transportation. *Id.* The costs for storing and moving the wood from storage to the boiler brings the total cost to approximately \$35 per ton. Concord Steam pre-purchased about 25 percent of its wood, which is stored at its offsite yard for use during the heating season. Exhibit 1 at 6-7. Mr. Bloomfield testified that a ton of wood produces approximately the same energy as a barrel of oil and, at the current level for oil and gas futures, that wood is an economic choice compared to natural gas. *Id.* at 5. He estimated that burning wood for fuel saves customers over \$600,000 annually, at current commodity cost levels. *Id.* Mr. Bloomfield testified that there have been no significant changes to the operations of the wood yard, and that Concord Steam continues to use the yard to efficiently manage its wood resources. *Id.* at 5-6.

Finally, Concord Steam included in its COE rate the costs for, ash disposal, air permit fees, sewer and water costs, and boiler water treatment chemicals. The Commission allowed inclusion of these production costs in the COE rate by Order No. 25,499 (April 25, 2013) in Concord Steam's last rate case.

3. Sales Forecast and Unaccounted-for Steam

To forecast this winter's steam sales, Mr. Bloomfield testified that Concord Steam weather-normalized the actual steam sales from last year using a 30-year degree day average. Exhibit 1 at 7.

According to Mr. Bloomfield, Concord Steam has continued to use thermal imaging to document the conditions of its lines and to locate and repair steam leaks. Exhibit 1 at 8.

4. Cogeneration Operations

Concord Steam reported that its cogeneration operations, selling excess electricity and avoiding the purchase of power, resulted in net savings to Concord Steam, and thus to customers, of about \$88,000 over the past year. Exhibit 1 at 9.

B. Staff

In its closing, Staff supported approval of Concord Steam's 2015-2016 COE rates, subject to reconciliation. Tr. at 41. Staff noted that the Commission Audit Staff had reviewed the 2014-2015 COE reconciliation, and that there were no major issues. *Id.*

III. COMMISSION ANALYSIS

Based on our review of the record, we approve Concord Steam's proposed COE rate of \$25.22 per Mlb as being just, reasonable, and lawful as required by RSA 378:7. Pursuant to the settlement agreement we approved in Order No. 25,499, Concord Steam's base rate proceeding, Concord Steam properly incorporated steam production costs into the COE rate, subject to reconciliation. We note that Concord Steam's use of wood as its primary fuel should produce significant savings during the 2015-2016 COE period as compared with other fuel sources. We will address Concord Steam's outstanding motions for confidential treatment in a separate order.

Based upon the foregoing, it is hereby

ORDERED, that Concord Steam's proposed 2015-2016 COE rate of \$25.22 per Mlb effective November 1, 2015, on a service-rendered basis, is APPROVED; and it is

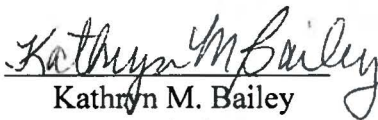
FURTHER ORDERED, that Concord Steam may adjust the approved COE rate of \$25.22 per Mlb upward or downward monthly based on Concord Steam's calculation of the

projected over or under-collection for the period, but the cumulative adjustments shall not exceed 20 percent of the approved COE rate; and it is

FURTHER ORDERED, that Concord Steam shall provide the Commission with its monthly calculation of the projected over- or under-calculation, along with the resulting revised COE rate for the subsequent month, not less than five business days prior to the first day of the subsequent month, and shall include a revised tariff if Concord Steam elects to adjust the COE rate; and it is

FURTHER ORDERED, that Concord Steam shall file properly annotated tariff pages in compliance with this order no later than 15 days from the issuance date of this order, as required by N.H. Code Admin. Rules Puc 1603:

By order of the Public Utilities Commission of New Hampshire this thirtieth day of October, 2015.


Kathryn M. Bailey
Commissioner


Robert R. Scott
Commissioner

Attested by:


Debra A. Howland
Executive Director