

1 STATE OF NEW HAMPSHIRE
2 PUBLIC UTILITIES COMMISSION
3

4 October 23, 2008 - 9:13 a.m.
5 Concord, New Hampshire
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8 RE: DG 08-116
9 CONCORD STEAM CORPORATION:
10 Proposed Cost of Energy Rate for the
11 period of November 1, 2008 through
12 October 31, 2009.

13 PRESENT: Chairman Thomas B. Getz, Presiding
14 Commissioner Graham J. Morrison
15 Commissioner Clifton C. Below

16
17 Connie Fillion, Clerk

18 APPEARANCES: Reptg. Concord Steam Corporation:
19 Sarah B. Knowlton, Esq. (McLane, Graf...)

20 Reptg. PUC Staff:
21 Edward N. Damon, Esq.
22

23 Court Reporter: Steven E. Patnaude, LCR No. 52
24

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2

I N D E X

3

PAGE NO.

4

WITNESS: PETER G. BLOOMFIELD

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Direct examination by Ms. Knowlton

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Cross-examination by Mr. Damon

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Redirect examination by Ms. Knowlton

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E X H I B I T S

13

EXHIBIT NO.

D E S C R I P T I O N

PAGE NO.

14

1

Direct Filed Testimony of
Peter G. Bloomfield, with
attachments (09-12-08)

premarked

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Revised filing, including
tariff pages and schedules

premarked

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CLOSING STATEMENTS BY:

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Mr. Damon

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Ms. Knowlton

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1 P R O C E E D I N G S

2 CHAIRMAN GETZ: Okay. Good morning.

3 We'll open the hearing in docket DG 08-116. On
4 September 15, 2008, Concord Steam Corporation filed its
5 annual Cost of Energy rate for the period November 1, 2008
6 through October 31, 2009. The proposed rate is \$19.51 per
7 thousand pounds, which is an increase of \$5.13 when
8 compared to the projected weighted average rates in effect
9 for the year ending October 31, 2008. An order of notice
10 was issued on September 17 setting the hearing for this
11 morning.

12 Can we take appearances please.

13 MS. KNOWLTON: Good morning, Mr.
14 Chairman and Commissioners. My name is Sarah Knowlton.
15 I'm with the law firm of McLane, Graf, Raulerson &
16 Middleton. And, I'm here today on behalf of Concord Steam
17 Corporation. And, with me from the Company today is Peter
18 Bloomfield and Mark Saltsman.

19 CMSR. BELOW: Good morning.

20 CMSR. MORRISON: Good morning.

21 CHAIRMAN GETZ: Good morning.

22 MR. DAMON: Good morning, Commissioners.

23 Edward Damon, for the Staff. And, with me this morning
24 are Robert Wyatt and Steve Frink.

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1 CMSR. BELOW: Good morning.

2 CMSR. MORRISON: Good morning.

3 CHAIRMAN GETZ: Good morning.

4 MR. WYATT: Good morning.

5 CHAIRMAN GETZ: Ms. Knowlton.

6 MS. KNOWLTON: We have agreement with
7 Staff about the premarking of exhibits. We would propose
8 to premark as "Exhibit 1" the Company's initial filing,
9 Cost of Energy filing on September 12, 2008. And, that
10 begins with the Direct Filed Testimony of Mr. Bloomfield.
11 The Company revised its Cost of Energy filing on
12 October 13th and filed that with the Commission. And,
13 we've marked that for identification as "Exhibit 2".

14 Our only witness for today would be
15 Mr. Bloomfield and he is ready to proceed when you are.

16 CHAIRMAN GETZ: Please proceed.

17 MS. KNOWLTON: Mr. Bloomfield.

18 (Whereupon Peter G. Bloomfield was duly
19 sworn and cautioned by the Court
20 Reporter.)

21 PETER G. BLOOMFIELD, SWORN

22 DIRECT EXAMINATION

23 BY MS. KNOWLTON:

24 Q. Good morning, Mr. Bloomfield.

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[WITNESS: Bloomfield]

- 1 A. Good morning, Sarah.
- 2 Q. Please state your full name for the record.
- 3 A. Peter Bloomfield.
- 4 Q. By whom are you employed?
- 5 A. Concord Steam.
- 6 Q. What is your position with the Company?
- 7 A. I'm the president.
- 8 Q. How long have you been with Concord Steam?
- 9 A. Since 1986.
- 10 Q. And, what is your educational background?
- 11 A. Mechanical Engineering degree.
- 12 Q. Where did you get that degree from?
- 13 A. In Union College, upstate New York.
- 14 Q. Are you familiar with the document that's been
- 15 premarked as "Exhibit 1"?
- 16 A. I am.
- 17 Q. Do you have that before you?
- 18 A. I do.
- 19 Q. And, what is this exhibit?
- 20 A. It's the testimony that I submitted.
- 21 Q. And, are there exhibits and schedules that are attached
- 22 to that?
- 23 A. Yes, there are.
- 24 Q. Okay. And, were the testimony and the exhibits that

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[WITNESS: Bloomfield]

1 have been premarked as "Exhibit 1" prepared by you or
2 under your direction?

3 A. Yes, they were.

4 Q. And, did you make any changes to those?

5 A. Yes, we have submitted a revised filing, and these have
6 been modified.

7 Q. Okay. And, that's what's been premarked as "Exhibit
8 2", correct?

9 A. Yes.

10 Q. And, was that prepared by you or under your direction?

11 A. Yes, it was.

12 Q. Let's start with Exhibit 1. If you would describe
13 generally, Mr. Bloomfield, what the Company is asking
14 the Commission to do with regard to its Cost of Energy?

15 A. As our annual Cost of Energy Adjustment, we are
16 forecasting what we're going to be spending for fuel
17 for the next year and what our steam sales are going to
18 be for the next year, and asking for the Commission to
19 set our rates appropriately.

20 Q. And, what sources of fuel does the Company use?

21 A. We use -- the previous year, we have used primarily
22 wood chips, roughly 70, 75 percent of our fuel is whole
23 tree chips. And, we use two different types of oil,
24 virgin oil, Number 6 heavy oil, and waste oil. That's

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1 what we were burning last year. This coming season
2 we'll be adding -- burning those same fuels, but we'll
3 be burning less oil and more natural gas.

4 Q. Did the Company lock into any prices for any of its
5 fuel sources for the upcoming heating season?

6 A. Yes, we did. We have locked in on pricing for the
7 heavy oil and for the natural gas.

8 Q. What are the prices, do you recall?

9 A. The oil we locked in at roughly \$112 a barrel and the
10 gas at roughly something a little less than \$12 a
11 dekatherm.

12 Q. And, when did you lock in on the oil?

13 A. In August.

14 Q. And, is there any ability to renegotiate that price, if
15 there have been changes in the price --

16 A. No, there is not.

17 Q. Well, let's just take back -- go back a step. There
18 have been changes in the price of oil, correct?

19 A. Yes. Yes.

20 Q. And, is there any -- any downward changes in price?

21 A. No, we've actually seen what we can do to restructure
22 those agreements, but we're -- but the amount of oil we
23 purchased was not a significant portion. It was about
24 a third, a little less than a third of the fossil fuel

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[WITNESS: Bloomfield]

1 we'll be burning. So, the -- The natural gas was less
2 expensive than the oil, which is why we went with the
3 gas. We have to burn some oil in order to get the less
4 expensive gas price, because of needing to burn gas
5 other than in the heaviest heating season. In order to
6 get a good price for the cost of gas, we have to have a
7 more even consumption over the year, and not peak it up
8 in December, January, and February. So, during a
9 couple of those months, we're going to be burning oil,
10 and then burning gas the rest of the year.

11 Q. If you could turn to Exhibit 2, --

12 A. Yes.

13 Q. -- and Page -- there's a revised Schedule 2, which is
14 four pages into the filing.

15 A. Yes.

16 Q. Do you have that before you?

17 A. I do.

18 Q. What does this schedule show?

19 A. This is an estimate of how much fuel we're going to
20 burn and what different types of fuel we're going to
21 burn, and the cost of that fuel over the upcoming 12
22 months.

23 Q. And, if you look at the bottom of the page, can you
24 describe what the relative costs are of the various

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1 fuel sources that the Company uses?

2 A. Yes. You can see that it gives a price per unit, as
3 well as a price per million Btu's of energy. So that
4 the wood price is at a little less than \$4.50, and you
5 can compare that to the oil pricing of 18 for virgin
6 and 12 for waste oil, and natural gas averaging about
7 \$12.

8 Q. And, if we look at the first chart on that revised
9 Schedule 2, it does appear that the Company burns more
10 natural gas or uses more natural gas than oil?

11 A. Yes.

12 Q. And, I assume that's because the natural gas is
13 cheaper?

14 A. That's correct.

15 Q. I did notice, in January and February of 2009, though,
16 that you're not projecting any use of natural gas
17 during that time period.

18 A. That's correct.

19 Q. Why is that?

20 A. That's because, in order to get the price structure
21 that we have with the natural gas, we're -- we can't
22 burn oil in two of those two heaviest months. So,
23 there's three months that we have to restrict our --
24 the combination of the total of those three months we

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1 have to restrict our gas use. So, it's easiest for us
2 to -- and that would be December, January, and
3 February. So that we're going to continue to burn oil
4 in December and then -- burn gas in December, rather,
5 and then, January and February, we're just going to
6 close the gas system off and just burn oil for those
7 two months.

8 Q. Okay.

9 A. Now, remember all this fossil fuel we're talking about
10 is still a minority fuel that we burn. That we still
11 primarily burn wood chips. This fuel is for peaking
12 requirements, for when we get more load than the two
13 wood boilers we have can handle, and also for starting
14 and stopping the boilers and certain operational
15 procedures we have to go through on the boilers.

16 Q. And, from whom do you purchase natural gas? Or --

17 A. It's bought through Sprague Oil Company, Sprague Energy
18 Company. And, was it National Grid now that's
19 delivering or is it still KeySpan now? I lose track.
20 I'm not quite sure.

21 Q. What efforts do you undertake with regard to obtaining
22 favorable pricing to the extent possible?

23 A. Yes. We buy it through a third party, and essentially
24 wheel it through the gas lines and pay the local

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[WITNESS: Bloomfield]

1 distribution company their charges. And, we actually
2 buy the gas through Sprague Energy.

3 Q. Okay. If you would turn to the next page, which is
4 Schedule 3.

5 A. Yes.

6 Q. Again, this is Exhibit 2 that we're looking at. What
7 does this schedule reflect?

8 A. We reviewed the amount of heating degree days each year
9 and the amount of steam sold, so that we can average
10 out, from one year to the next, to allow for extra warm
11 winters or extra cold winters, and we average it out to
12 a 30-year average when we make our projections.

13 Q. And, I notice that on this chart there is a column for
14 "Steam sold non-heating" --

15 A. Yes.

16 Q. -- and "Steam sold heating". What is steam used for
17 non-heating purposes?

18 A. It is used for primarily hot water use, laundry use,
19 that sort of thing.

20 Q. If you would turn to Page -- the next page, which is
21 Schedule 4. This is a summary of the Company's
22 expenses for 2007 through 2008 versus the revenue that
23 was generated, is that right?

24 A. Yes. Yes.

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1 Q. And, what was the result of that analysis?

2 A. It reconciles to see how close we are in over/under
3 collection over the year. We started out actually with
4 having previously overcharged \$240,000. And, by the
5 end of this year, we have brought that down to a slight
6 over charge of \$71,000. It's about something less than
7 3 percent of the total energy cost. So, we started out
8 the year with more of a balance.

9 Q. Okay. If you would look at, under the "Beginning
10 Balance" column for "November 2007"?

11 A. Yes.

12 Q. The "\$208,209", is that where --

13 A. You're right. I'm sorry. You're right. We started
14 off with a \$208,000 balance, right, and ending with
15 \$71,000.

16 Q. Okay. And, if you could turn to Schedule 5, what does
17 this schedule reflect?

18 A. This is a summary of what our project -- for last year,
19 what we had projected, compared to what our actual
20 usage and costs were for those years and those -- this
21 is basically a support document for the Schedule 4 and
22 the reconciliation calculations.

23 Q. Okay. I'm now going to ask you to flip back, actually,
24 to Schedule 1, in Exhibit 2, Revised Schedule 1. Do

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[WITNESS: Bloomfield]

1 you have that --

2 A. I do.

3 Q. -- in front of you?

4 A. I do.

5 Q. And, this is the Company's projection for the upcoming
6 heating season, correct?

7 A. That's correct.

8 Q. And, can you just walk us through this analysis?

9 A. Looking at our projected steam sales per month, how
10 much fuel we're planning on using each month, the rate
11 that we're asking the Commission to set for our Cost of
12 Energy Charge and revenues and Cost of Energy. And,
13 due to sort of fixed losses and fixed costs and that
14 kind of thing, there are some months that show a
15 positive over and under collection and some months that
16 show a negative over and under collection. And, by the
17 end of the year, it should even out to as close to zero
18 as we can get.

19 Q. How did the projections, what you're projecting in
20 sales for the upcoming heating season, compare to what
21 the Company actually experienced last year?

22 A. I believe that we ended up selling less than we had
23 projected or that we had projected something in excess
24 --

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- 1 Q. If you look at maybe Schedule 7?
- 2 A. Yes, 7. Right. Yes. Okay. So, we, actually, we
- 3 should be -- what complicates this a little bit is that
- 4 our heating cost of energy season is different from our
- 5 normal annual 12 month year. Plus, we're still talking
- 6 about some September and October numbers in here that
- 7 are still just projected numbers, but, for '08, we
- 8 obviously don't have October '08 in there yet, so
- 9 they're still projected. But the actual is in the
- 10 neighborhood of 150 million pounds. What were
- 11 projected was closer to 170 million pounds.
- 12 Q. Okay. And, you're projecting 147,971 million pounds in
- 13 sales this year?
- 14 A. That's correct.
- 15 Q. And, to what do you attribute that slight decrease?
- 16 A. There's been a couple of customers that have gone off
- 17 over the past 12 months, and that's the primary reason.
- 18 Q. And, which customers are those?
- 19 A. There was a St. John's Church has gone off, and the
- 20 Legislative Office Building had a steam-fired air
- 21 conditioner that they took out of service this past
- 22 summer.
- 23 Q. What is the energy charge that the Company is asking
- 24 the Commission to approve today?

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1 A. We're asking for \$19.81.

2 Q. And, if you look back actually to the front page of
3 Exhibit 2, Page 1, this is the Company's tariff page,
4 correct?

5 A. Yes.

6 Q. Proposed -- Or, actually, the proposed tariff page.
7 You know, where I see the \$19.81 figure reflected, is
8 there what we call a "collar" that you're asking for?

9 A. Yes. Yes. There's a roughly plus or minus 20 percent
10 collar that we have as part of this tariff.

11 Q. Okay. Do you have any, sitting here today, do you have
12 any sense for whether or not you will be making any
13 adjustments during the heating season, based on that
14 ability within the collar?

15 A. We don't expect to make any adjustments, certainly no
16 significant adjustments. Last year, we pretty much
17 went through the whole year with virtually no
18 adjustments on the Cost of Energy Charge.

19 Q. This Cost of Energy Charge that you're seeking for this
20 heating season is higher than last year's, correct?

21 A. That is correct, yes.

22 Q. And, to what do you attribute that increase?

23 A. The cost of fossil fuel, obviously, has gone up. Even
24 though it's only 25 or 30 percent of our costs, the

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1 dollars are almost 50 percent of our costs. And, the
2 cost of our wood has gone up somewhat, due a
3 combination of very wet weather, which has made the
4 logging operations less efficient and effective, and so
5 they're going to charge more for their wood. Plus the
6 cost of diesel fuel has gone up a lot. And, the
7 logging operation uses diesel fuel in the woods to run
8 all its equipment, and also the diesel fuel in the
9 trucks to get the wood to us.

10 Q. Okay. If you would turn to Revised Schedule 6, which
11 is towards the back of Exhibit 2. Do you have that in
12 front of you?

13 A. I do.

14 Q. Okay. And, what is this chart showing?

15 A. It's an estimate of impact on some typical customers as
16 to the cost -- increasing cost of energy.

17 Q. Okay. And, so, would you walk through what the
18 percentage increase will be for the various customer
19 sizes that you have?

20 A. Yes. For the smaller users, it will be something less
21 than 18 percent; for the medium users, something around
22 18 and a half percent; and the large users, about 19, a
23 little over 19 percent.

24 Q. Approximately how many customers does the Company have

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[WITNESS: Bloomfield]

1 in total?

2 A. There's approximately 100 to 110 customers.

3 Q. And, can you give us a sense of the distribution of
4 those customers between these three customer size
5 groups?

6 A. Yes. Of the large customers, there's perhaps five or
7 six that might be considered large customers. And,
8 then, the medium and small customers are pretty much
9 split roughly half and half, in terms of what remains.

10 Q. And, the two customers that you lost this past year,
11 St. John's Church and the Legislative Office Building,
12 which class did those two fall into?

13 A. Those two were in the medium to -- immediate to small
14 range.

15 Q. Does the Company serve any residential customers?

16 A. We serve one residential house, plus we do serve
17 apartment buildings.

18 Q. And, in the case of the apartment buildings, is the
19 landlord the customer?

20 A. Yes.

21 Q. Individual tenants do not have accounts directly with
22 Concord Steam?

23 A. That's correct.

24 Q. Okay. If you would turn to Schedule 8, which is the

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[WITNESS: Bloomfield]

1 last page of Exhibit 2.

2 A. Yes.

3 Q. This details the cost of the Company's operations of
4 the woodyard. What is the woodyard used for?

5 A. We have roughly a 20-acre parcel out in Penacook that
6 we -- in Pembroke, rather, that we use to store wood
7 chips. We have started to gather chips over the past
8 three months. We have about 15,000 tons of wood chips
9 on the ground out there now. And, we'll then, as the
10 winter comes in and as fuel gets less available to us,
11 we'll use those to offset for cold weather and for mud
12 season, and we'll be using that wood as we get into the
13 heating season. That's roughly one third of all the
14 wood we use that we've already purchased and stored on
15 the ground.

16 Q. Has the Company undertaken any efforts to mitigate the
17 costs of operating the woodyard?

18 A. Yes. There is some additional space there, and we have
19 leased out some space and have some tenants on the
20 property as well.

21 Q. And, I see under -- there's a heading called "Rental
22 Revenue" --

23 A. Yes.

24 Q. -- for "Concord Sand & Gravel" and "Capital Paving".

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[WITNESS: Bloomfield]

- 1 A. Yes.
- 2 Q. Is that associated with -- is that the rental of that
3 space?
- 4 A. That's exactly what that is.
- 5 Q. And, --
- 6 A. It's roughly \$19,000 of annual revenue.
- 7 Q. And, that's then -- that reduces the Company's cost of
8 operating the woodyard?
- 9 A. That's correct.
- 10 Q. Are there any further efforts that the Company could
11 undertake to mitigate those operational costs?
- 12 A. We have talked about perhaps using the yard as a
13 storage area for some of the other wood plants in the
14 area, but that hasn't worked out. So, we are
15 continuing to try and find other ways of being
16 efficient and effective out there, haven't come up with
17 anything at the moment.
- 18 Q. Okay. And, when you say "other", other folks that use
19 wood, to whom are you referring?
- 20 A. Well, particularly, the Schiller Project. We had
21 talked to them at some point. And, we've also actually
22 talked with some of the more northern wood-fired
23 plants, and talked about receiving and handling wood
24 for them as well.

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1 Q. Okay. And, if you look at the bottom of that schedule,
2 you reflect the "Total cost of wood fuel per ton" at
3 "\$38"?

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