

**STATE OF NEW HAMPSHIRE**

**BEFORE THE**

**PUBLIC UTILITIES COMMISSION**

**Verified Petition for Approval of Transfer of Utility Assets, Distribution System  
Upgrades and Steam Purchase Agreement**

**DG 08-107**

**SUPPLEMENTAL PRE-FILED TESTIMONY  
OF  
PETER BLOOMFIELD**

**December 17, 2012**

1 **Q. Please state your name and business address.**

2 A. My name is Peter Bloomfield. My business address is 123 Pleasant Street,  
3 Concord, New Hampshire.

4 **Q. Please summarize your professional and educational background.**

5 A. I am President of Concord Steam Corporation ("Concord Steam" or the  
6 "Company"). I have been employed by Concord Steam since 1986. I am also  
7 Manager of Concord Power and Steam, LLC ("Concord Power"). I received a  
8 BSME degree in 1976 from Union College.

9 **Q. What is the purpose of your testimony?**

10 A. The purpose of my testimony is to supplement the information provided in the  
11 Company's Verified Petition for Approval of Transfer of Utility Assets,  
12 Distribution System Upgrades and Steam Purchase Agreement dated August 28,  
13 2008 ("Petition") and to provide the additional information identified by the  
14 Commission in its Order No. 24,969, which conditionally approved certain  
15 transactions that were the subject of that Petition.

16 **Q. Please briefly describe the procedural history of this case.**

17 A. On August 28, 2008, the Company filed the Petition requesting Commission  
18 approval (1) to transfer certain Company assets to Concord Power, including  
19 assets used to generate electricity ("Asset Transfer"), (2) to make certain upgrades  
20 to the Company's distribution system necessary to interconnect the distribution  
21 system to Concord Power's planned biomass-fired cogeneration facility  
22 ("Cogeneration Facility"), and (3) to enter into a Steam Purchase Agreement (  
23 "SPA") with Concord Power, pursuant to which Concord Power will supply all of  
24 the Company's steam requirements for retail steam service. A copy of the draft

1 SPA is included in the record as Exhibit 3 in this proceeding. On February 20,  
2 2009, the Company and Staff entered into a settlement agreement regarding the  
3 Asset Transfer, the distribution system upgrades, and the SPA (“Settlement  
4 Agreement”). On May 22, 2009, by Order No. 24,969, the Commission  
5 conditionally approved the Settlement Agreement, Asset Transfer, and  
6 distribution upgrades, subject to approval of the SPA, and deferred ruling on the  
7 SPA until the Company provided the Commission with certain additional  
8 information.

9 **Q. What additional information does the Company need to provide the**  
10 **Commission under Order No. 24,969?**

11 A: Order No. 24,969 requires the Company to provide the identity of the equity  
12 investor(s) in the Cogeneration Facility, the arrangements with the equity  
13 investor(s), the terms of the debt financing for the Cogeneration Facility, and the  
14 lease or ownership arrangements for the wood yard and land for the Cogeneration  
15 Facility site.

16 **Transaction Update**

17 **Q. Please provide a brief update on the Cogeneration Facility.**

18 A: Concord Power experienced some delays in proceeding with construction of the  
19 Cogeneration Facility because of difficulties in finalizing financing for the  
20 project. Concord Power is now finalizing the financing arrangement and expects  
21 to have a financial closing for the long term financing in February, 2013. Despite  
22 the delays experienced with regard to financing, site work has progressed, and  
23 Concord Power expects to pour concrete and begin constructing the Cogeneration  
24 Facility in the second quarter of 2013. In preparation for construction, Concord

1 Power has placed purchase orders for the Cogeneration Facility's main plant  
2 equipment, including the boiler and turbine generator, and is in the process of  
3 finalizing the engineering, procurement, and construction contract with its  
4 contractor.

5 **Q. Please provide a brief update on the status of the Company's existing**  
6 **Pleasant Street facility.**

7 A: Concord Steam's current lease with the State of New Hampshire ("State") for the  
8 facility located on Pleasant Street in Concord will expire in August 2013. The  
9 State has been cooperative in extending the lease for the Pleasant Street facility  
10 while Concord Steam plans its move, and the Company does not anticipate any  
11 problems in obtaining a further extension to accommodate the new timeline for  
12 completion of the Cogeneration Facility.

13 *Distribution System Upgrades*

14 **Q. Please describe any changes relating to the Company's planned distribution**  
15 **system upgrades since the Commission issued its conditional approval in this**  
16 **case.**

17 A. Under the transaction conditionally approved by the Commission, the Company  
18 would have been responsible for paying the cost of installing the new 6,800 foot  
19 line extension connecting its distribution system to the Cogeneration Facility as  
20 well as certain other system upgrades. As a result of the Commission's Order No.  
21 25,260 issued in DG 11-135, which approved a special steam service contract  
22 with the State, Concord Power will be paying the cost of the 6,800 foot line  
23 extension in the first instance, but those costs will then be recouped by Concord  
24 Power over time because they will be included in the price paid by Concord

1 Steam under the SPA. The other system upgrades, such as repairing leaks and re-  
2 insulating existing steam lines, will continue to be paid for directly by the  
3 Company.

4 **Q. What is the reason for this change?**

5 A. Concord Power agreed to pay for the new line extension in the first instance in  
6 response to Staff's recommendation that the costs should be borne by all  
7 customers. In that proceeding, Staff noted that the cost to connect the  
8 Cogeneration Facility to the Company's steam distribution system was necessary  
9 to provide service to all customers and, thus, recommended that Company  
10 customers pay a related surcharge. Instead of amending the special contract  
11 between the Company and the State that was approved by the Commission in  
12 Docket DG 11-135 to include the recommended surcharge as a new provision,  
13 Concord Power agreed to pay for the line extension in the first instance and  
14 include that cost in the steam price under the SPA.

15 **Q. Does this change affect any of the terms in the Settlement Agreement?**

16 A. No. The Settlement Agreement provides that the Company will install the new  
17 line extension, which continues to be the case. Although Concord Power will be  
18 responsible for paying the cost of the new line extension, the Company will  
19 continue to be the party responsible for installing the line extension. Additionally,  
20 as agreed to under the Settlement Agreement, the final costs of this line extension  
21 (and of other improvements to the Company's distribution system) will be  
22 submitted to the Commission for review prior to the recovery of such costs  
23 through the Company's rates.

24

1 **Q. Are there any other changes to the distribution system upgrades**  
2 **conditionally approved in Order No. 24,969?**

3 A. No.

4 *Asset Transfer*

5 **Q. Please describe any changes to the planned Asset Transfer.**

6 A. As originally proposed, the Asset Transfer was to include the Company's boiler  
7 plant auxiliary equipment, such as conveyors and pumps, electric generation  
8 equipment, and equipment used at the Company's wood yard for a purchase price  
9 of \$1,500,000. Because of financing requirements, certain equipment that is  
10 critical to operating the Cogeneration Facility, including electric generation  
11 equipment, has been removed from the planned Asset Transfer. An updated list  
12 of the assets that will be sold to Concord Power is attached to my testimony as  
13 Schedule PB-1.<sup>1</sup> With the elimination of these assets from the transaction, the  
14 purchase price has been reduced to \$500,000.

15 **Q. Please explain the financing requirements that resulted in the change in**  
16 **assets to be sold to Concord Power.**

17 A. The banks and bond holders that will be involved in the financing for the project  
18 did not want any used equipment to be included in any critical systems in the new  
19 Cogeneration Facility. This resulted in Concord Power removing used steam  
20 turbines, boiler feed pumps, and conveyors (originally included in the Asset  
21 Transfer) from the Cogeneration Facility design and replacing them with new  
22 equipment.

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<sup>1</sup> The original list of assets was set forth in Exhibit B to the Petition.

1 **Q. Does this change affect any of the terms in the Settlement Agreement?**

2 A. Yes, these changes affect the stipulated description of assets to be sold to Concord  
3 Power and the \$1,500,000 purchase price.

4 **Q. As modified, is the Asset Transfer still in the public interest?**

5 A. Yes. The assets being sold to Concord Power are not necessary for the Company  
6 to provide service, and the modified sale price is fair and reasonable based on  
7 their depreciated book values, used equipment market values, and replacement  
8 values, which are all provided in Schedule PB-1.

9 *Steam Purchase Agreement*

10 **Q. Please describe any changes to the SPA.**

11 A. There are eight substantive changes to the SPA, which are as follows:

- 12 • First, a mechanism allowing Concord Power to recover the cost of  
13 installing the 6,800 foot steam line extension has been added to the SPA.  
14 Specifically, the term “Steam Line Debt Service Cost” was added to the  
15 SPA in Section 1.19 and the associated charge was added to Section  
16 7.2.1.1. Steam Line Debt Service Cost is a new term that is defined under  
17 Section 1.19 as the “total annual cost of the debt (principal plus interest)  
18 incurred to construct the interconnecting steam line between the existing  
19 distribution system of the Seller and the Buyer’s Facility.” Section 7.2.1.1  
20 concerns the Capacity Charge component of the steam price. It originally  
21 provided for a Capacity Charge that was comprised of only the cost of  
22 debt service for the Cogeneration Facility (defined in the revised SPA as  
23 “Facility Debt Service Cost”). Under the revised Section 7.2.1.1, the  
24 Capacity Charge will now also include the cost of debt for the new line

1 extension (Steam Line Debt Service Cost) during the first 20 years of the  
2 SPA, and the calculation of the Capacity Charge was updated accordingly  
3 to include the Steam Line Debt Service Cost, which will be calculated on a  
4 per MMBtu basis (Steam Line Debt Service Cost multiplied by 150%,  
5 divided by the projected steam sales in MMBtu for the service year).  
6 Additionally, a new provision allowing for annual reconciliation of the  
7 Steam Line Debt Service Cost was added to the reconciliation provisions  
8 provided in Section 2.6.

- 9 • Second, the Facility Debt Service Cost component of the Capacity Charge  
10 described in Section 7.2.1.1 has been modified from a formula that was  
11 based on the actual cost of the project, the amount of debt on the project,  
12 and the cost of that debt, to a fixed dollar amount of \$3.35 per MMBtu.  
13 This change eliminates factors that are unknown and not in the Company's  
14 control.
- 15 • Third, the 15-year time period for the initial Capacity Charge in Section  
16 7.2.1.1 has been extended to 20 years.
- 17 • Fourth, Section 7.1 originally provided that any payments or other  
18 benefits, including renewable energy credits ("RECs"), having economic  
19 value to Concord Power that were created by the sale of steam under the  
20 SPA would be applied to reduce the steam price charged to the Company.  
21 This provision has been modified in three respects: (i) Concord Power will  
22 now retain 50% of the proceeds arising from the sale of Thermal RECs (as  
23 defined in RSA 362-F) up to a sale price of \$16/MWh (with a maximum  
24 of \$8/MWh net to Concord Power); (ii) the Company will not receive any

1 credits to its steam price under the SPA for those Thermal RECs used by  
2 Concord Power in accordance with the power contract it has entered into  
3 with New Hampshire Electric Cooperative, Inc. (“NHEC”); and (iii) the  
4 Company will share in the net revenues received from sale of those  
5 Thermal RECs used by Concord Power in accordance with the power  
6 contract it has entered into with Reading Municipal Light Department  
7 (“RMLD”). Under these contracts, Concord Power is required to transfer  
8 a defined amount of Thermal RECs to NHEC and credit RMLD an  
9 amount equal to 50% of the proceeds Concord Power receives from the  
10 sale of a defined amount of MWhs of Thermal RECs.

- 11 • Fifth, Section 7.4.2 concerns the fuel charge associated with the cost of  
12 natural gas used to operate the Back-Up Boilers. Minor changes have  
13 been made to this section relating to the number of days of operation that  
14 are utilized to estimate gas costs for the Back-Up Boilers.
- 15 • Sixth, the initial fixed PCT<sub>S</sub> (percentage of steam produced by the main  
16 boiler which is allocated to steam sales) used to calculate and bill the fuel  
17 charge in Section 7.4.1 was slightly decreased from 13.38% to 12.43%.
- 18 • Seventh, a new provision stating the standard for determining the  
19 *projected volume* of gas relating to the fuel charge calculation for the  
20 Back-Up Boilers was added to Section 7.4.2. The provision was expanded  
21 to clarify that the projected volume of gas will be based on the actual  
22 average steam sales during the scheduled outage periods, previous years’  
23 steam sales during a similar period, and projected efficiency of the  
24 auxiliary gas fired boilers.

- Lastly, Section 13.1.4 was modified to indicate that Commission approval of the SPA is pending, and Section 22.8 was added to indicate that Commission approval of the SPA is a condition precedent to the performance by Concord Steam of its obligations under the SPA.

**Q. What are the reasons for these changes?**

A. First, as indicated earlier in my testimony, the Steam Line Debt Service Cost and related recovery mechanism were added to the SPA in response to Staff's recommendation in Docket DG 11-135. Second, the Facility Debt Service Cost component of the Capacity Charge was modified from a variable formula to a fixed \$/MMBtu amount in order to eliminate an unnecessary variable in the SPA. Concord Power has set the total construction price for the Cogeneration Facility project and has projected the associated debt service requirements. Third, the 15-year time frame was changed to 20 years for the initial Capacity Charge in Section 7.2.1.1 to match the term of the bond financing described later in my testimony, which is 20 years. Fourth, the provision relating to crediting the Seller for a portion of the value of Thermal RECs under Section 7.1 was included to allow Concord Power to offset an overall increase in the Cogeneration Facility project costs through the retention of 50% of the sale proceeds and to allow Concord Power to comply with the REC supply requirements under its power contracts with NHEC and RMLD. Fifth, the number of operation days assumed for the Back-Up Boilers was changed from 3 to 5 days because the parties determined that a 5 day outage period for the month of September is a more conservative and appropriate assumption to use for the fuel charge. Sixth, the 12.43% change to the initial fuel charge calculation was due to an increase in

1 facility boiler capacity. Seventh, the standard for determining the projected  
2 volume of natural gas was added because it is a necessary component to calculate  
3 the fuel charge for the Back-Up Boilers under Section 7.4.2. Finally, the  
4 provisions regarding Commission approval of the SPA were added because the  
5 parties have entered into the revised SPA, which was executed to comply with the  
6 Commission’s directive in Order No. 24,969 that the Company file an executed  
7 copy of the SPA.

8 **Q. Are there any other changes to the SPA?**

9 A. Yes. In addition to the substantive changes described earlier, a few non-  
10 substantive changes were made to the SPA to clarify various contract terms, as  
11 follows:

- 12 • Certain terms were capitalized because they are defined terms under the  
13 SPA (*see* Section 2.4 and Section 7.2.1.4).
- 14 • Section 1.13 -- The term “Debt Service Payment” was changed to  
15 “Facility Debt Service Cost” and includes a reference to the Steam Line  
16 Debt Service Cost. These changes were made to distinguish the cost of  
17 debt service for the Cogeneration Facility from the cost of debt service for  
18 the 6,800 foot steam line extension. The definition of Facility Debt  
19 Service Payment was also revised to clarify that the term means the  
20 *annual* cost of debt and includes principal and interest.
- 21 • Section 1.21 – The estimated production capacity for the wood fired boiler  
22 was updated from 2,136,000 MMBtus to 2,254,600 MMBtus due to an  
23 increase in boiler capacity. Certain additional terms were added to the  
24 “Steam Sales Percentage” definition for clarification.

- 1           • Section 2.4 -- The phrase “as if the steam had been wood fired steam” was  
2           added for clarification.
- 3           • Section 2.6 – The cross reference to “Section 2.6.3” relating to the annual  
4           reconciliation of the Steam Line Debt Service Cost described earlier was  
5           added.
- 6           • Section 2.7 – Sections 7.4 and 7.5 (unmodified) provide that Concord  
7           Power is entitled to reimbursement of certain fuel costs for the Back-Up  
8           Boilers. The provision in Section 2.7 concerning Concord Power’s  
9           responsibility of bearing the cost of fuel incurred in operating the Back-Up  
10          Boilers was slightly modified to note and cross-reference that right to  
11          reimbursement under Sections 7.4 and 7.5.
- 12          • Section 6.2.2 – The standard for determining *steam usage*, a component  
13          necessary for calculating the cost of steam, in instances of metering  
14          inaccuracies has been clarified to state that such steam usage will be  
15          determined by analyzing and comparing steam usage from the same  
16          month(s) of the previous year.
- 17          • Section 7.1 – The steam price was clarified to indicate that the price per  
18          MMBtu would be based on the actual monthly amount of steam delivered  
19          into the Buyer’s steam system and to include a payment due date.
- 20          • Section 7.2 – Sections 7.2.1.1 through 7.2.1.3 were clarified to indicate  
21          that Buyer will determine the projected steam sales/steam forecast used to  
22          calculate the Capacity Charge and that Buyer will provide such  
23          information to Seller at the beginning of each service year under the SPA.  
24          Section 7.2.1.4 was revised to change “CPS” to “Seller” and specify that

1 the “cost of debt” stated therein relates to the cost of debt associated with  
2 new improvements (as opposed to, for instance, the cost of debt for the  
3 Cogeneration Facility and new line extension).

- 4 • Section 7.4.1 – Consistent with the change to Section 1.21, the estimated  
5 production capacity for the wood fired boiler was updated from 2,136,000  
6 MMBtus to 2,254,600 MMBtus.
- 7 • Article 17 -- The street addresses and certain notice party information  
8 were changed to reflect current contact information.

9 A redlined copy of the SPA that tracks the substantive and non-substantive  
10 changes described in my testimony compared against the SPA marked as Exhibit  
11 3 on file with the Commission, is attached to my testimony as Schedule PB-2.  
12 Schedule PB-2 also includes Schedules 1 and 2 to the SPA which were not  
13 included in Exhibit 3. In addition, the SPA Attachment A (Steam Flow Meter  
14 Diagram) that was included in Exhibit 3 has been updated in Schedule PB-2 to  
15 account for the change in the number of turbine generators, from three to one  
16 turbine generator, that will be installed at the Cogeneration Facility.

17 **Q. Are there any other changes to the SPA?**

18 A. Other than a few non-substantive typographical edits, which are also reflected in  
19 Schedule PB-2, there are no other changes.

20 **Q. Do these changes affect any of the terms in the Settlement Agreement?**

21 A. Although I do not believe that these changes alter the Settlement Agreement terms  
22 in a material way, the changes do affect the Settlement Agreement in the  
23 following ways: (i) the Settlement Agreement refers to Section 7 of the SPA for  
24 determining the cost of steam, which provision has since been revised with the

1 changes I described earlier, and (ii) the Settlement Agreement refers to  
2 Commission approval of the older version of the SPA and includes a copy of the  
3 older SPA, which would need to be updated with the revised SPA attached as  
4 Schedule PM-2 to this testimony.

5 **Q. As modified, is it still in the public interest for the Company to enter into the**  
6 **SPA with Concord Power?**

7 A. Yes. The Company will be able to provide steam service at reduced rates under  
8 the SPA because the cost to purchase steam will be substantially lower than the  
9 current cost to generate steam at the Pleasant Street facility, and the Company still  
10 estimates that its overall steam rates for customers will decrease by approximately  
11 30% compared to its current rates.

12 **Q. Will the steam charges under the SPA be subject to a prudence review by the**  
13 **Commission?**

14 A. Yes. The Company will maintain or have access to books and records necessary  
15 to substantiate the validity of the steam charges and calculations set forth on all  
16 invoices issued by Concord Power to the Company under the SPA and will  
17 provide the Commission access to the same books and records or the information  
18 therein. All costs flowing to the Company under the SPA for which ratepayer  
19 recovery is sought will be subject to Commission approval, including whether the  
20 costs billed to the Company under the SPA are proper under the terms of the SPA  
21 and prudently incurred and reasonable in amount.

22 **Q. Have the parties executed the SPA?**

23 A. Yes. As directed by the Commission's Order No. 24,969, an executed copy of the  
24 SPA is provided in Schedule PM-3.

1 **Additional Transaction Information**

2 *Equity Investors*

3 **Q. Please identify all of the equity investors holding an ownership interest in**  
4 **Concord Power.**

5 A. Currently, B.S. Energy, LLC ("BS Energy") is the only equity investor holding an  
6 ownership interest in Concord Power. However, on November 7, 2012, Concord  
7 Power executed a Membership Interest Purchase Agreement with Martinata, LLC  
8 ("Martinata"), pursuant to which an 85% interest in Concord Power will be  
9 transferred to Martinata upon Concord Power's attainment of long term financing  
10 for the Cogeneration Facility. Once this membership purchase transaction closes,  
11 BS Energy and Martinata will be the equity investors of Concord Power.

12 **Q. Is there any relationship between Concord Power and BS Energy other than**  
13 **the equity investment described earlier.**

14 A. Yes, Mark Saltsman and I are managers of Concord Power and the owners of BS  
15 Energy. We are also the two shareholders of Concord Steam Corporation.

16 **Q. Is there any relationship between Martinata and Concord Power other than**  
17 **the equity investment described earlier?**

18 A. Yes, an affiliate company of Martinata is the design build contractor responsible  
19 for supplying the boiler and turbine generator that Concord Power purchased for  
20 the Cogeneration Facility.

21 **Q. What is the status of the Martinata membership purchase transaction?**

22 A. The long term financing necessary to close the transaction is underway and  
23 described later in my testimony.

24

1 **Q. Upon the closing of the Martinata membership purchase transaction, what**  
2 **will be the equity arrangements between the two investors?**

3 A. BS Energy will own 15% and Martinata will own 85% of Concord Power.

4 **Q. Will there be any change to the ownership or management of Concord**  
5 **Steam?**

6 A. No. The ownership and management of Concord Steam will not change.

7 ***Project Financing***

8 **Q. Please describe the financing for the Cogeneration Facility and the 6,800 foot**  
9 **line extension.**

10 A. On November 8, 2012, Concord Power entered into a loan agreement (“Loan”) with Hongyuan Concord, LLC, a New Jersey limited liability company and affiliate of Martinata (“Lender”), pursuant to which the Lender has agreed to extend a construction loan to Concord Power up to a maximum amount of \$100,000,000 to construct the Cogeneration facility. The term of the Loan is the duration of the construction period for the Cogeneration Facility, and the Loan will be paid off with long term financing obtained through bonds and equity at the time the Cogeneration Facility reaches commercial operation. For any balance due on the Loan thereafter, interest will accrue at the annual rate of 10%, compounded annually, beginning 90 days after the commercial operation date of the Cogeneration Facility. For the long term financing noted earlier, Concord Power will issue bonds in the aggregate principal amount of \$70,000,000. The target interest rate for these bonds is between 5½% and 6%, and the term of the bond financing is 20 years.

24

1 **Q. Please describe your role with respect to the Loan and bond issuance.**

2 A. I played the lead role on behalf of Concord Power in negotiating the terms of the  
3 Loan with the Lender and the bond financing with UBS, and I have been working  
4 with Fitch Ratings to obtain an investment grade rating for the Cogeneration  
5 Facility project.

6 **Q. What is the status of the bond issuance?**

7 A. Concord Power has retained UBS to underwrite and market the bonds and is  
8 currently working to obtain an investment grade rating on the Cogeneration  
9 Facility project. Once Concord Power completes this step, UBS will package the  
10 bonds and put them up for sale to get the long term financing for the project.

11 ***Initial Capacity Charge***

12 **Q. What is the initial Capacity Charge under the revised SPA?**

13 A. As indicated in Section 7.2.1.1, the Capacity Charge for the first 20 years of the  
14 SPA is: \$3.35/MMBtu (the Facility Debt Service Cost) plus the \$/MMBtu for the  
15 Steam Line Debt Service Cost.

16 **Q. Is it possible to estimate the price per MMBtu for the Steam Line Debt  
17 Service Cost?**

18 A. Yes. The estimate price per MMBtu for the Steam Line Debt Service Cost is  
19 \$1.90/MMBtu, assuming projected steam sales to Concord Steam of 259,000  
20 MMBtu per service year. Using this figure, the initial Capacity Charge would be  
21 \$4.25/MMBtu.

22

23

24

1 **Leases**

2 **Q. Who owns the Cogeneration Facility land?**

3 A. P&M Realty of Concord, LLC ("P&M Realty") is the owner of the real estate  
4 known as Concord Industrial Park located at 291 South Main Street, Concord,  
5 New Hampshire ("Property"), which is where the Cogeneration Facility is being  
6 constructed.

7 **Q. Are there any plans for Concord Power to acquire this Property?**

8 A. No, P&M Realty will continue to own the Property and will lease it to Concord  
9 Power.

10 **Q. Has a lease for the Property been executed?**

11 A. Yes. On September 30, 2009, P&M Realty, as landlord, and Concord Power, as  
12 tenant, executed a ground lease agreement ("Facility Lease").

13 **Q. Please describe the key terms of the Facility Lease.**

14 A. The term of the Facility Lease is 40 years, commencing July 1, 2010 through and  
15 including June 30, 2050. Concord Power has the option to renew the Facility  
16 Lease up to a total of 2 successive periods of 15 years each. The annual rent is  
17 \$270,000 for the first 5 years of the Facility Lease, which amount is subject to an  
18 upward adjustment whereby the base annual rent will increase each year by the  
19 increase in the Consumer Price Index Boston-Brockton-Nashua, MA-NH-ME-CT  
20 published by the U.S. Department of Labor, Bureau of Labor Statistics ("Index"),  
21 over the previous year.

22

23

1 **Q. Are there any other land leases to which Concord Power will be a party as**  
2 **part of this transaction?**

3 A. Yes. Concord Power has one other land lease. On November 13, 2009, Concord  
4 Power entered into a ground lease agreement with BS&Chips, LLC  
5 ("BS&Chips") relating to the real estate known as The BS & Chips Wood-yard  
6 located at 800 Ricker Road, Pembroke, New Hampshire ("Wood Yard"). Under  
7 this Wood Yard Lease, Concord Power will lease the Wood Yard to store its  
8 wood supply for the Cogeneration Facility.

9 **Q. Please describe the key terms of the Wood Yard Lease.**

10 A. The term of the Wood Yard Lease is 20 years, commencing July 1, 2012 through  
11 and including June 30, 2032. Concord Power has the option to renew the Facility  
12 Lease up to a total of 2 successive periods of 5 years each. The annual rent is  
13 \$210,000 for the first 2 years of the Wood Yard Lease, which amount is subject to  
14 a similar upward adjustment under the Facility Lease, whereby the base annual  
15 rent will increase each year by the increase in the Index over the previous year.

16 **Q. Is there any relationship between Concord Power, P&M, and BS & Chips**  
17 **other than the leases described above?**

18 A. Yes, they are affiliate companies. Mark Saltsman and I own BS Energy, P&M,  
19 and BS&Chips.

20 **Conclusion**

21 **Q: What action is the Company seeking from the Commission in response to the**  
22 **supplemental filing it is making at this time?**

23 A: The Company is seeking (i) final approval by the Commission of the Asset  
24 Transfer and construction of the 6,800 foot steam line extension and distribution

1 system upgrades, as modified by the changes described herein; and (ii) approval  
2 of the revised SPA submitted with this supplemental testimony.

3 **Q. Does that complete your testimony?**

4 A. Yes.