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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

October 8, 2014 - 1:03 p.m.  
Concord, New Hampshire

REDACTED  
FOR PUBLIC USE

RE: DG 14-233  
CONCORD STEAM CORPORATION:  
2014 Cost of Energy.

NHPUC OCT14'14 AM 8:54

PRESENT: Commissioner Martin P. Honigberg, Presiding  
Commissioner Robert R. Scott

Sandy Deno, Clerk

APPEARANCES: Reptg. Concord Steam Corporation:  
Peter Bloomfield  
Mark Saltsman

Reptg. PUC Staff:  
Alexander Speidel, Esq.  
Stephen Frink, Asst. Dir./Gas & Water Div.  
Iqbal Al-Azad, Gas & Water Division

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

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## I N D E X

PAGE NO.

WITNESS PANEL:            PETER BLOOMFIELD  
                              MARK SALTSMAN

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Cross-examination by Mr. Speidel	8, 32, 34
Interrogatories by Cmsr. Scott	17, 30
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\* \* \*

## E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	2014 Cost of Energy filing, consisting of cover letter, tariff pages, Direct Pre-Filed Testimony of Peter Bloomfield, with attachments	8
2	Concord Steam Response to Staff Data Request 1-16 (CONFIDENTIAL & PROPRIETARY)	premarked

\* \* \*

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**P R O C E E D I N G**

1  
2 CMSR. HONIGBERG: We are here on Concord  
3 Steam Corporation's annual cost of energy filing for the  
4 period November 1, 2014 through October 31st, 2015. The  
5 proposed cost of energy rate is \$25.10 per thousand  
6 pounds, an increase of 15 percent from the current cost of  
7 energy rate of \$21.83. This proposed Cost of Energy rate  
8 is expected to increase a customer's annual steam costs by  
9 approximately 9.1 to 9.4 percent compared to the 2013-2014  
10 period, depending on customer size. We're here to talk  
11 about forecast of sales, wood and natural gas supply,  
12 transportation costs, and about five or six other lines  
13 that I won't read from the Order of Notice.

14 Before we go further, let's take  
15 appearances from everybody. Starting here.

16 MR. BLOOMFIELD: Commissioners, I'm  
17 Peter Bloomfield, for Concord Steam. And, this is Mark  
18 Saltsman for Concord Steam.

19 CMSR. HONIGBERG: Good afternoon.

20 MR. SPEIDEL: Good afternoon,  
21 Commissioners. Alexander Speidel, representing the Staff  
22 of the Commission. And, I have with me Stephen Frink,  
23 Assistant Director of the Gas and Water Division, and  
24 Iqbal Al-Azad, Analyst in the Gas and Water Division.

1 CMSR. HONIGBERG: We have a motion for  
2 confidential treatment of certain parts of the filings.  
3 Mr. Speidel, do you have any objection to that?

4 MR. SPEIDEL: No objection, and Staff  
5 supports the motion, actually.

6 CMSR. HONIGBERG: In looking at the  
7 documents, we thought that there perhaps might be some  
8 portions of them that could be made public, but there  
9 didn't seem any attempt to redact or give portions of it  
10 that could be public. Have the parties discussed that at  
11 all?

12 MR. SPEIDEL: No. I believe that the  
13 Company has requested, in its Motion for Confidential  
14 Treatment, a waiver of the redaction requirements of the  
15 Puc 200 rules. That was an effort to have the material  
16 forwarded to the attention of the Staff in an expeditious  
17 fashion, and to enable the Company's proprietary  
18 information to be protected during the pendency of this  
19 hearing.

20 Now, if the Commission would deem it  
21 appropriate, we might be able to work, that is Staff, with  
22 the Company to come up with a more redacted version of  
23 this and to resubmit the material. But that would be  
24 after this hearing today.

1 CMSR. HONIGBERG: Yes. I don't think  
2 we're talking about doing anything now, but I think that  
3 would make sense to us.

4 MR. SPEIDEL: Okay.

5 CMSR. HONIGBERG: So, once we're done,  
6 for the Staff to work with the Company to come up with  
7 whatever portions of this filing could be in the public  
8 record.

9 MR. SPEIDEL: That's a good idea. And,  
10 we'll invite the Company to come over at some point in the  
11 next couple weeks, and we'll work together and have  
12 something prepared for the Commission's inspection.

13 CMSR. HONIGBERG: That sounds good. Is  
14 that good for you, gentlemen?

15 MR. BLOOMFIELD: Yes. That's fine.

16 CMSR. HONIGBERG: All right. What else  
17 do we need to deal with up front?

18 MR. SPEIDEL: Well, the Staff would like  
19 to invite Mr. Saltsman and Mr. Bloomfield to sit on a  
20 panel for direct questioning from Staff regarding their  
21 filing. And, as part of that direct, we are going to have  
22 two exhibits noticed. The first exhibit, Exhibit 1, would  
23 be the original filing made by the Company. And, that was  
24 received on September the 12th. The second exhibit would

[WITNESS PANEL: Bloomfield~Saltsman]

1 be a confidential Exhibit 2, a copy of which is before  
2 each of you there on the Bench, Commissioners, and that  
3 pertains to a data response to Staff Data Request 1-16 by  
4 the Company, that is the subject for the Motion for  
5 Confidential Treatment.

6 Now, as a general matter, Staff would  
7 recommend that, if the Commissioners wish to ask Bench  
8 questions regarding the proposed confidential Exhibit 2,  
9 that we enter into a confidential segment of this hearing,  
10 and the court reporter would indicate that as such.

11 CMSR. HONIGBERG: That sounds good to  
12 us. We'll work with that. And, we'll do our best, to the  
13 extent that questioning, you know questions are going to  
14 draw on that information, to flag that for the reporter.  
15 And, obviously, if someone starts talking about it  
16 inadvertently, it would be possible to go back and do it,  
17 but we'll do our best to deal with it up front.

18 MR. SPEIDEL: Thank you. And, at this  
19 time, Staff would like to invite Mr. Bloomfield and  
20 Mr. Saltsman to the Bench and be sworn in.

21 (Whereupon **Peter Bloomfield** and  
22 **Mark Saltsman** were duly sworn by the  
23 Court Reporter.)

24 **PETER BLOOMFIELD, SWORN**

[WITNESS PANEL: Bloomfield~Saltsman]

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**MARK SALTSMAN, SWORN**

**DIRECT EXAMINATION**

BY MR. SPEIDEL:

Q. All right, gentlemen. Are you aware of the filing made by the Company on September the 12th of 2014, with the legend "Concord Steam Corporation 2014 Cost of Energy"?

A. (Bloomfield) Yes.

Q. Was this filing prepared under your direction, Mr. Bloomfield?

A. (Bloomfield) Yes, it was.

Q. And, Mr. Saltsman, did you also provide support to Mr. Bloomfield in the preparation of this filing?

A. (Saltsman) I did.

Q. And, would you both be able to indicate as to whether there are any corrections you'd like to make up front to this specific filing?

A. (Bloomfield) There are -- there have been some corrections to the financial numbers that went through on the audit. But there's no -- there's no changes, other than the ones that were clarified in the discovery, in the data request process.

Q. Okay. We'll talk about those in a little bit.

A. (Bloomfield) Yes.

Q. Just wanted to see if you have any last-minute typos or

[WITNESS PANEL: Bloomfield~Saltsman]

1 edits you wish to make.

2 A. (Witness Bloomfield shaking head in a negative manner).

3 MR. SPEIDEL: So, I would request that  
4 the Commission mark this filing as "Exhibit 1".

5 CMSR. HONIGBERG: So marked.

6 (The document, as described, was  
7 herewith marked as **Exhibit 1** for  
8 identification.)

9 MR. SPEIDEL: Thank you.

10 **CROSS-EXAMINATION**

11 BY MR. SPEIDEL:

12 Q. And, I direct most of these questions to the panel, and  
13 I leave it to both of you to decide as to which member  
14 of the Company's personnel will answer each. The PUC  
15 Audit Staff issued it's final report on October 7, 2014  
16 on the actual and projected costs for the 2013-2014  
17 Cost of Energy of \$3.1 million. And, the report states  
18 that the audited and revised projected under-collection  
19 is approximately \$54,000. How does that compare to the  
20 projected under-collection included in the filing?

21 A. (Bloomfield) We had originally -- in the original  
22 filing, we had estimated a projected under-collection  
23 of approximately \$25,000. So, there's a \$29,000  
24 difference between what we originally filed and what

[WITNESS PANEL: Bloomfield~Saltsman]

1 was resulted through the audit.

2 MR. SPEIDEL: Just one moment please.

3 (Atty. Speidel conferring with PUC Staff

4 representatives.)

5 BY MR. SPEIDEL:

6 Q. Thank you. Is the fuel mix Concord Steam is using for  
7 the upcoming cost of energy year similar to what was  
8 used last year?

9 A. (Bloomfield) Yes, it is. It's primarily wood, wood  
10 waste, with some natural gas. Last year, there was --  
11 at the beginning of the heating season last year, there  
12 was a small amount of Number 6 oil that we also burned.  
13 But last year we took our oil system out of service.  
14 And, so, we no longer have the capability of burning  
15 heavy oil.

16 Q. What percent of forecasted energy costs are at a fixed  
17 cost?

18 A. (Bloomfield) Approximately 20 percent of the Btus that  
19 we use are natural gas. That's almost 50 percent of  
20 the cost of our fuel on an annual basis. And, of the  
21 wood, we have not locked in. The gas, we have locked  
22 in approximately 90 percent of what we expect to use on  
23 an average winter.

24 Q. Your testimony, Mr. Bloomfield, on Page 6, Lines 18

[WITNESS PANEL: Bloomfield~Saltsman]

1 through 19, and, of course, there's a few preliminary  
2 pages in the front of Exhibit 1. But, once you go  
3 approximately three pages back, Mr. Bloomfield's  
4 testimony begins. So, we'll turn to Page 6 of that  
5 testimony. And, there's a statement there to the  
6 effect that the Company locks in 100 percent of its  
7 natural gas for the heating season. Has the Company  
8 locked in those supplies? And, if so, at what price?

9 A. (Bloomfield) We have locked in 100 percent of our  
10 expected use during the peak months of our use. So,  
11 for the three or four months, through December and  
12 through March, yes, we have locked in 100 percent of  
13 what we expect to use. The shoulder months and the  
14 summer, we have locked in a slightly lower amount than  
15 what we expect to use, looking to take advantage of,  
16 since there those off-months, that the basis and the  
17 unit price for the gas would be less during that period  
18 of time.

19 So, the cost that we locked it in at,  
20 yes. Yes, \$12.13 a decatherm is what we have locked it  
21 in at. That price does not include the LDC charge,  
22 though, right?

23 (Court reporter interruption.)

24 BY THE WITNESS:

[WITNESS PANEL: Bloomfield~Saltsman]

1 A. (Saltsman) The LDC charges are not included in that  
2 \$12.13. But those are charged by Liberty Utilities,  
3 and those charges are set by the PUC as part of their  
4 cost of energy transportation rates.

5 Q. And, so, in other words, the \$12.13 a decatherm rate is  
6 the commodity rate?

7 A. (Saltsman) That's correct. It's the commodity rate,  
8 and it includes -- it's made up of the actual cost of  
9 the natural gas commodity itself and the basis. It's  
10 significantly more expensive this year than it was last  
11 year. The commodity itself is not significantly  
12 different, but the basis is significantly different.  
13 The basis this year is almost double of what it was  
14 last year.

15 Q. What is the projected natural gas usage percentage that  
16 has not been locked in? And, how is the price for  
17 those volumes calculated as part of the cost of energy  
18 filing?

19 A. (Bloomfield) We have -- something less than 10 percent  
20 of the cost of natural gas has not been locked in. We  
21 have assumed, as part of the filing, that the price of  
22 the gas would be equivalent to the locked in price.

23 Q. Can that change -- excuse me -- have the natural gas  
24 futures prices changed much since the filing in

[WITNESS PANEL: Bloomfield~Saltsman]

1 September? And, what impact might that have on the  
2 cost of energy rate?

3 A. (Saltsman) I observe the Gas Daily, the Platts Gas  
4 Daily on a regular basis, and watch the price. Quite  
5 honestly, the price has been -- it's been higher and  
6 it's been lower over the last period of a month than  
7 where we locked in at. It's really very volatile right  
8 now. There is a bunch of market pressure that's  
9 creating upward and downward movement in the gas  
10 market. And, so, it's, you know, to honestly answer  
11 that question, yes, it's changed, but it's changed not  
12 in one direction. It's been both lower and higher than  
13 where we locked it in at.

14 Q. So, the market fluctuations have tended to cancel each  
15 out over the last couple months or so?

16 A. (Saltsman) That's correct.

17 Q. Okay.

18 A. (Bloomfield) And, the fluctuations in the pricing is  
19 only -- well, it's only a small amount of the natural  
20 gas. Really, what's going to be more -- that could  
21 have a more effect is how much different the actual  
22 average degree days are, typical degree days are, over  
23 this coming winter as compared to how it has been on a  
24 historical basis. That really has more of an effect on

[WITNESS PANEL: Bloomfield~Saltsman]

1 our pricing than the small amount of gas that we have  
2 not locked in.

3 Q. So, that leads to a follow-up question. Can these  
4 market fluctuations in Concord Steam's energy costs be  
5 accommodated through monthly adjustments with a maximum  
6 cap of 20 percent of the proposed rate, in your  
7 opinions?

8 A. (Saltsman) Yes, they can.

9 Q. Gentlemen, how does last year's unaccounted for steam  
10 losses compare to prior years? And, what steps are the  
11 personnel of the Company taking to control or reduce  
12 steam losses?

13 A. (Bloomfield) Our line losses, our steam losses have  
14 gone down over the past two years. And, we're working  
15 on continuing to bring them down. We have some new  
16 products that we're using in some of our manholes, for  
17 instance. When the steam manholes, when a heavy rain  
18 or snowmelt, water gets into the manhole, it ruins the  
19 insulation. And, people have to get in and out of the  
20 manhole, usually climbing on the insulation. So, the  
21 insulation on the manholes is usually in pretty bad  
22 shape. And, we've found a new product that we're  
23 trying out on a few manholes that looks pretty good.  
24 So, hopefully, we'll be able to keep our manholes

[WITNESS PANEL: Bloomfield~Saltsman]

1 better insulated.

2 We've also started to try and close down  
3 some sections of the steam system that are not -- not  
4 serving customers during the summer. There are some  
5 small sections of the steam system that we're able to  
6 shut the valves on. We tried this past year, and we  
7 haven't had any serious problems. The risk of that is  
8 in shutting the lines down and letting them go cold for  
9 a few months, and then heating them back up, it tends  
10 to cause more maintenance on those sections of lines.  
11 So, we're trying that, we're just trying to reduce some  
12 line loss and seeing how that works.

13 Q. Thank you. Is a new plant, the proposed new plant has  
14 gone through some iterations over the last several  
15 years, is a new plant critical, in your opinion, to  
16 being able to compete with the natural gas utility and  
17 retaining existing customers and adding new customers  
18 to the Concord Steam system?

19 A. (Saltsman) That -- it's kind of a loaded question,  
20 because it depends on what the natural gas market does.

21 Q. Right.

22 A. (Saltsman) And, paying close attention to the current  
23 pressures on the natural gas market, it's not as  
24 critical. However, if the gas -- if the natural gas

[WITNESS PANEL: Bloomfield~Saltsman]

1 market starts to soften again, as it has in the past,  
2 then it is more critical. But the extended long-term  
3 outlook for natural gas in the Northeast is not so  
4 rosy. So, it's not quite as critical as it has been in  
5 the past. But we believe the prudent thing to do is to  
6 pursue that, because then we don't -- we don't have to  
7 worry about what natural gas does, we're able to take  
8 care of that through the new facility and being more  
9 energy efficient and more effective in our operation to  
10 keep our rates down.

11 Q. Thank you. Is the Company open to filing with the  
12 Commission and Staff quarterly updates on the status of  
13 the new plant proposal, air permitting, the lease  
14 agreement with the State, along with other changes in  
15 current operations and business plans?

16 A. (Bloomfield) Yes, we are. At this stage, sometimes  
17 there's nothing to report. That's all. And, I guess  
18 we just have to say "there's not much to report." But,  
19 as we're going through permitting process or  
20 interconnects or negotiations on contracts, those can  
21 take time. So, we're certainly willing. Some of the  
22 responses might not have much to them, but we're  
23 certainly willing.

24 MR. SPEIDEL: Thank you. Well, thank

[WITNESS PANEL: Bloomfield~Saltsman]

1 you very much. The Staff would invite the Commissioners  
2 to direct Bench questioning to the witnesses. Thank you.

3 CMSR. HONIGBERG: Do you want -- I  
4 thought I heard you say earlier that you wanted to ask  
5 questions regarding the confidential filing. Do you want  
6 to wait to do that?

7 MR. SPEIDEL: No. We don't have any  
8 follow-up questions about that, beyond perhaps an  
9 invitation by the witnesses to summarize that, if they so  
10 desire. But we would expect that the Commission might  
11 have bench questions, and that would be asked within the  
12 confidential segment.

13 CMSR. HONIGBERG: Understood. Thank  
14 you. Mr. Scott.

15 CMSR. SCOTT: Thank you. And, good  
16 afternoon.

17 WITNESS BLOOMFIELD: Good afternoon.

18 CMSR. SCOTT: Let me start with the  
19 interchange you just had with the Staff. To me, even if  
20 it's an update that says "nothing's change, nothing's  
21 happened", that's significant to know that anyways, for  
22 instance. So, that is news to me still, meaning it would  
23 news that I would be interested in.

24 BY CMSR. SCOTT:

[WITNESS PANEL: Bloomfield~Saltsman]

1 Q. So, I'll start with -- I'll try to start with questions  
2 on the Exhibit 1, to keep it out of the confidential  
3 side. But, even before that, you mentioned a couple  
4 times an "audit", I assume that's a Staff audit?

5 A. (Bloomfield) Yes. Yes, that's correct.

6 Q. Is that final now?

7 A. (Bloomfield) Well, it's audited -- our heating season  
8 year runs from November 1 to October 1. So, the audit  
9 has examined our numbers from November 1 to I believe  
10 the end of August. So, they finalized that, but  
11 there's still the remainder of the year that, when we  
12 come to a final, true reconciliation, they're going to  
13 come back and finish it off.

14 Q. Okay. And, I haven't seen that yet, but do you care to  
15 characterize that?

16 A. (Bloomfield) There were a number of areas of -- some of  
17 our filing was based on some estimates that the  
18 bookkeeping hadn't quite caught up with. And, so,  
19 there were some areas that we had understated and some  
20 areas we had overstated. You know, so, there was -- I  
21 think it was generally -- generally fairly close to say  
22 it was, of the total \$3 million number, it was off by  
23 \$30,000. So, it was relatively close.

24 Q. So, the results are close, as you say?

[WITNESS PANEL: Bloomfield~Saltsman]

- 1 A. (Bloomfield) Yes.
- 2 Q. Again, I haven't seen it.
- 3 A. (Bloomfield) Yes.
- 4 Q. I was just trying to understand.
- 5 A. (Bloomfield) Yes.
- 6 Q. All right. So, some inconsistencies, but at the end it  
7 comes out in the wash?
- 8 A. (Bloomfield) That's right. Exactly. Now, there was  
9 some, in the filing, I had left off some -- one month's  
10 cost of some of the wood yard expenses. But, on the  
11 other hand, I had overestimated some of the cost of gas  
12 that I -- we had a disagreement with the gas company.  
13 And, so, I had used the wrong number on the price of  
14 gas. And, so, some of those types of things were  
15 balanced -- tend to balance it out.
- 16 Q. Thank you. And, in speaking of gas, as you just were,  
17 so, can you explain a little bit more on the locked in  
18 gas, I understand the LDC charge, but the commodity,  
19 can you -- what is the process by which you lock that  
20 in? Is there a competitive process on that?
- 21 A. (Saltsman) Yes.
- 22 Q. I assume you try to find the cheapest price, obviously,  
23 is that a correct statement?
- 24 A. (Saltsman) That's correct. Now, what we -- I normally

[WITNESS PANEL: Bloomfield~Saltsman]

1 handle that. And, what I do is I'll go out to at least  
2 three, I usually try to get four or five, competitors  
3 that are authorized to trade in the New Hampshire  
4 marketplace, and go out and ask them for a 12-month  
5 contract. Although, we do typically, you know, we'll  
6 look at it at 24 months and out beyond that. Although,  
7 we only go with the 12-month, because, obviously, part  
8 of the process here is keeping that contract in a line  
9 with what our actual COE is. And, so, what I'll do is  
10 I'll go out to these competitive suppliers, ask them to  
11 give me a basis, plus NYMEX price, fixed price. And,  
12 so, they will go out and look at the futures market to  
13 see what that basis is. And, then, it's that number,  
14 plus the NYMEX market for the actual commodity itself.  
15 Last year, the basis, in last year's COE, the basis was  
16 to the tune of three and -- I think somewhere around  
17 three and a half, four dollars, and the commodity was  
18 somewhere in that same neighborhood. I think the total  
19 all-in fixed price last year was \$7.71 for the NYMEX  
20 commodity and the basis price. And, that's at  
21 Tennessee Zone 6 is where our city gate delivery is.  
22 It's based on that price.

23 This year, the commodity was pretty  
24 similar, in that three to four dollar range, depending

[WITNESS PANEL: Bloomfield~Saltsman]

1 on the month, but the basis was almost double. The  
2 basis was nearly eight dollars. Which is a sign of  
3 the -- and the basis, really, it was -- it's high at  
4 Tennessee Zone 6, the Algonquin gate places as well.  
5 So, it reflects a New England basis number that's much  
6 higher than the rest of the country. The rest of the  
7 country is still back in that same, that basis in the  
8 four, you know, three to four dollar range. So, we're  
9 just, in the Northeast, we're paying a little bit of a  
10 premium, well, quite a bit of a premium right now.

11 Q. And, so, just for my education is, given the Marcellus,  
12 the shale gas finds, is, you know, you mentioned  
13 Tennessee, Henry Hub, I often question is that the  
14 right measuring stick anymore, if you will?

15 A. (Saltsman) Well, it has to do with -- it has to do with  
16 supply pipelines, and therein lies the rub. Most of  
17 that Marcellus shale gas, though, it's coming from our  
18 neighbors just to the south of us, in Pennsylvania,  
19 mostly, and some in Ohio and Kentucky, but mostly  
20 Pennsylvania. Most of that gas actually flows south  
21 and west, and it doesn't come this way, because of  
22 infrastructure issues, pipeline issues. And, that's  
23 one of the things that I think that the political  
24 powers are trying to address, to see if they can get

[WITNESS PANEL: Bloomfield~Saltsman]

1 that moved in. Massachusetts squashed that here  
2 recently. And, I think that's part of the premium that  
3 we're paying right now is paying for that, for not  
4 allowing that to go forward.

5 Q. Thank you. So, going back to how you purchase the gas.  
6 So, it sounds like, is it a fair statement to say that  
7 you believe your selection and that price accurately  
8 reflects the futures?

9 A. (Saltsman) That's correct. It does, yes. I follow  
10 Platts daily, look at the gas pricing on a regular  
11 basis, to make sure what I'm being quoted is a  
12 reasonable facsimile of what's going on in the  
13 marketplace.

14 Q. Okay. Let's talk a little bit about your steam loss  
15 work that you mentioned on Page 8. Can you -- is there  
16 an estimate of how much more is needed to be done to  
17 the system?

18 A. (Bloomfield) Well, there are -- there are other  
19 sections of the system that we know need work. The  
20 issues are is it requires significant shutdowns for the  
21 part of the city, so it can only be done in the summer.  
22 And, even then, we've got steam customers in the  
23 summer. So, we have to try and make it efficiently as  
24 we can. We had -- we replaced some major expansion

[WITNESS PANEL: Bloomfield~Saltsman]

1 joints and had a shutdown -- a couple shutdowns already  
2 this summer, in replacing leaking expansion joints.  
3 And, that's what our next -- that's what our next step  
4 is to do on, essentially, our Pleasant Street line. We  
5 know we have a couple of hot spots that we suspect are  
6 leaking expansion joints. And, so, the plan for next  
7 summer is to replace those. That's probably the  
8 biggest single target. We have another section of line  
9 on Pleasant Street that we're working on, trying to  
10 either re-insulate or replace in entirety. It is -- it  
11 also is a section of line that seems to have insulation  
12 that's been -- has damaged or has deteriorated or  
13 whatever. But we seem to have another section there  
14 that we're still working on trying to figure out  
15 exactly what we're going to do.

16 A. (Saltsman) What we do on a regular basis is we take  
17 infrared camera surveys. And, so, each year,  
18 particularly just about this time of year, we have one  
19 of the engineers go out and walk the steam lines with  
20 the infrared camera and make recordings and take -- we  
21 have certain areas that we're monitoring. If an area  
22 shows up as a flag, we flag it, and then watch it, to  
23 see if it's -- sometimes we have groundwater issues,  
24 where groundwater will come up and get around the steam

[WITNESS PANEL: Bloomfield~Saltsman]

1 line, they create a false hot spot. And, then, once  
2 the groundwater subsides, that hot spot goes away. So,  
3 we watch for those. And, then, we -- that's how we  
4 determine that there is a problem area, and then we'll  
5 go -- we'll decide how best to suit that. And,  
6 typically, it's either an area that has had a -- the  
7 way the piping system works, it has an outer can, an  
8 outer shell, and then it has the insulation, then the  
9 steam-carrying pipe. Typically, when we have a hot  
10 spot that stays there, it's one of two things. It's  
11 either an expansion joint, and we have records of where  
12 those are at, so we can tell, based on where the  
13 picture is taken, whether it's in an expansion joint or  
14 not. Or, it's some place where the can has been -- the  
15 integrity of the can has been jeopardized, and  
16 groundwater has gotten in there and washed the  
17 insulation away. And, so, then we have to go after  
18 those areas and re-insulate and find some way to close  
19 it back up, so the groundwater doesn't affect it.  
20 Typically, where those happen, it's where we've had  
21 other -- we've had other interference with utilities  
22 digging in there and they scuff that can, and they  
23 don't think it really does anything to it. But, once  
24 that can is scuffed, there's like a tar coating on that

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[WITNESS PANEL: Bloomfield~Saltsman]

1 that protects it from any kind of corrosion. And, once  
2 that gets even a little spot of damage, it will start a  
3 little rust spot there, and eventually that rusts  
4 through. Our newer systems, they use a plastic outer  
5 pipe, with yet another layer of insulation between  
6 them, and then another steel can, which we found that  
7 to be very effective to guard against that, that issue.

8 Q. So, let me ask the question a little bit differently.  
9 Is there a -- what's your -- do you have an estimate  
10 on -- you have some backlog of maintenance/repair work.  
11 Are we talking tens of thousands of dollars? Hundred  
12 of thousands of dollars? Millions of dollars?

13 A. (Bloomfield) The amount we're targeting for next summer  
14 is probably in the neighborhood of 150 to \$200,000. If  
15 we end up replacing that section of line that I  
16 mentioned, that could add another maybe a couple  
17 hundred thousand dollars. It's expensive to dig up the  
18 whole line and work on it. So, we're trying to find  
19 the ones that are the biggest bang for the buck at this  
20 point.

21 Right now, our annual losses are in the  
22 order of magnitude of 92 million pounds a year. Where  
23 our target is to try and get that down to about 70,000  
24 a year, 70 million a year, --

[WITNESS PANEL: Bloomfield~Saltsman]

1 (Court reporter interruption.)

2 **CONTINUED BY THE WITNESS:**

3 A. (Bloomfield) 70,000 M pounds, or 70 million pounds.

4 BY CMSR. SCOTT:

5 Q. And, with those figures you just gave me, is that your  
6 projection to get there or is that just for what the  
7 plan work in the near term is?

8 A. (Bloomfield) That's what we hope to arrive at with  
9 these -- with the monies that I was just talking about  
10 having spent on that.

11 Q. And, is there, obviously, it's a -- it is what it is,  
12 it's an aging system. Do you have a steady state,  
13 where you have X amount per year that needs to be done?

14 A. (Bloomfield) Yes. Yes. Yes. You know, some of that  
15 pipe was put in in 1938, and some of that's in great  
16 shape. And, some of the stuff that we put in in the  
17 1980s is not in very good shape. So, it depends on the  
18 specific location, as Mark was saying, groundwater  
19 issues, what type of insulation was put in in that  
20 particular installation, a number of things. But, yes,  
21 we keep an eye on it. And, there's always a constant  
22 amount of upkeep and repair that's involved.

23 A. (Saltsman) That's where the infrared camera survey  
24 comes in. We use that kind of as our benchmark to try

[WITNESS PANEL: Bloomfield~Saltsman]

1 to determine what we're going to need to do for the  
2 next year. For example, the expansion joints that  
3 we're talking about, those were all targeted by  
4 infrared survey. And, those are all on the main  
5 12-inch loop. So, they have the potential to be  
6 leaking, you know, a significant amount of steam.  
7 Although, at the moment and instantaneous time, it  
8 doesn't seem like a lot. Over a period of time, it  
9 adds up to be a significant amount.

10 Q. Sure.

11 A. (Saltsman) So, that's normally how we do it. We'll do  
12 it through the surveys, trap surveys. You know, we  
13 look at our valve locations, whether a valve needs to  
14 be replaced. And, there's a certain amount of inherent  
15 maintenance that goes on, probably to the tune of about  
16 \$50,000 a year that's just standard costs that we  
17 spend.

18 Q. Okay. And, that was kind of where I was going. So, I  
19 was kind of wondering what that steady state looked  
20 like.

21 A. (Bloomfield) Yes.

22 Q. Thank you. On Page 10 of Exhibit 1, you make a  
23 statement regarding financing, that you can't have  
24 serious discussions on financing until the permitting

[WITNESS PANEL: Bloomfield~Saltsman]

1 is done. So, can you help me understand that?

2 A. (Bloomfield) Well, we've certainly been talking with  
3 banks and financing entities. But they have to do a  
4 lot of work in order to be able to put a package  
5 together. And, they don't want to put that effort in  
6 until we've shown that the project is doable, on a  
7 legal basis, that we can get the permits, and that we  
8 can get the necessary approvals that we need. So that  
9 they're just, you know, they're -- kind of the first  
10 question is, we start talking about the project, they  
11 say "okay, where are you now?" And, we say "well,  
12 we're in the process of acquiring our permits and  
13 interconnect and doing a final design." They say  
14 "well, okay, this is all interesting. Call us when  
15 these are more finalized." So, that's kind of the  
16 standard answer we get from these folks.

17 Q. Can you give us an update where your -- I assume the  
18 air permit is the big one you're talking about?

19 A. (Bloomfield) Yes. Yes. The air permit is a big one.  
20 The draft permit has actually been issued. However,  
21 since we filed for that permit, three or four months  
22 ago, and now, we have reconfigured the project. So,  
23 we're going to have to go back and modify that. So, --

24 A. (Saltsman) We might need to get into some -- in order

[WITNESS PANEL: Bloomfield~Saltsman]

1 to explain the different iteration here with this, this  
2 is kind of probably skirting into a confidential area.

3 Q. Well, why don't we hold that discussion then, --

4 A. (Saltsman) Okay.

5 Q. -- because I will go there next.

6 A. (Saltsman) Okay.

7 Q. And, that's fine.

8 CMSR. SCOTT: Actually, I'm ready to go  
9 there, but I don't know if you'd like to do  
10 non-confidential first?

11 CMSR. HONIGBERG: Let me ask one  
12 non-confidential.

13 BY CMSR. HONIGBERG:

14 Q. I think you said that, when you estimate the gas costs  
15 for what isn't locked in, you assume that the price  
16 will be the same as what you locked in at?

17 A. (Bloomfield) That's correct.

18 Q. Isn't it true, though, that you're purchasing that gas  
19 during the non-shoulder, non-winter months, you would  
20 reasonably project that cost to be much lower, wouldn't  
21 you?

22 A. (Bloomfield) Yes. We would certainly hope that would  
23 be the case. That's right.

24 Q. But, just for purposes of estimating and planning, you

[WITNESS PANEL: Bloomfield~Saltsman]

1 assume high and work down?

2 A. (Bloomfield) That's right. Right. I mean, you know,  
3 what we got caught last year was in January, it was,  
4 obviously, cold, and we were not as informed on the  
5 daily prices of gas as we probably should have been.  
6 And, the gas company never said boo to us about what  
7 the daily price of gas was doing. And, so, our cost of  
8 gas for that month was, oh, man, --

9 Q. Astronomical.

10 A. (Bloomfield) Yes. It was high. So, we were kind of  
11 caught because of that cold weather. And, we just --  
12 it was a surprise. You know, I don't know that we  
13 could have done much about it, because we -- if we have  
14 a demand for it, we have a demand for it. But it would  
15 have been nice to been given a head's up by our  
16 supplier.

17 Q. But you are taking a different approach this year?

18 A. (Bloomfield) Yes.

19 Q. And, also sounds like you're tracking those prices?

20 A. (Bloomfield) Yes.

21 A. (Saltsman) That's correct. I get bit once.

22 Q. You're always fighting the last war.

23 A. (Bloomfield) Yes.

24 CMSR. SCOTT: I have one more before we

[WITNESS PANEL: Bloomfield~Saltsman]

1 go off.

2 CMSR. HONIGBERG: All right. So, one  
3 more before we go off.

4 CMSR. SCOTT: Well, I had one more  
5 question before we go to the confidential side.

6 BY CMSR. SCOTT:

7 Q. Back to the gas purchase you do, is -- do you do a  
8 fixed price for the winter? Or, you do monthly?  
9 Weekly? What are the --

10 A. (Saltsman) It's actually daily. It's we have monthly  
11 quantities with a daily nom. And, so, the pricing is  
12 benchmarked off what the daily use is. And, anything  
13 over or under that daily use goes back, goes back or  
14 comes in out of the market. And, so, we pay market or  
15 we are paid market prices for that gas. So, what  
16 happens, in these shoulder months, if we're under -- if  
17 we're under utilized, as far as the amount that we've  
18 nominated, when we go to get more gas during those  
19 shoulder months, it's going to be at -- usually at a  
20 significantly lower price. And, that's why we do it  
21 there, and not -- in the winter, we elect to go with  
22 100 percent of what we think we'll use, for that  
23 reason, that it's so much higher in the winter, we  
24 don't want to get caught. And, if we under utilize in

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[WITNESS PANEL: Bloomfield~Saltsman]

1 the winter, then we can sell back and at, hopefully, at  
2 a profit, that then gets put back to the customers.

3 So, lowering our overall energy costs.

4 A. (Bloomfield) If we under utilize in the shoulder  
5 months, though, we still have to pay basis, even though  
6 we don't use the gas. So, we said we're going to use X  
7 amount, if we use 10 percent less than that, we still  
8 have to pay the full basis for the X. And, then, that  
9 small 10 percent gets sold back into the market.

10 A. (Saltsman) So, what we do in the shoulder months is we  
11 try to use what we've nominated. And, it's usually  
12 that's the case, and then we get maybe just a little  
13 bit more. That way we're not -- it's never a detriment  
14 to the customer base.

15 A. (Bloomfield) And, in terms of the pricing, it is split  
16 between a summer and winter spread. Where there's a  
17 slight difference in cost for the summer gas versus the  
18 winter gas. And, that's accounted for in the balancing  
19 of the filing.

20 CMSR. SCOTT: Thank you.

21 CMSR. HONIGBERG: All right. So, you  
22 want to move into confidential matters?

23 CMSR. SCOTT: Yes.

24 CMSR. HONIGBERG: So, we'll mark the

[WITNESS PANEL: Bloomfield~Saltsman]

1 transcript and deal with it that way, Alex?

2 MR. SPEIDEL: Yes. And, there's a quick  
3 little preliminary before we jump transcripts, --

4 CMSR. HONIGBERG: Okay.

5 MR. SPEIDEL: -- and then a quick  
6 preliminary after we jump transcripts that Staff would  
7 like to handle, if it's all right?

8 CMSR. HONIGBERG: That second one  
9 wouldn't actually be a "preliminary", that would be a --

10 MR. SPEIDEL: A "secondary", I suppose.

11 CMSR. HONIGBERG: All right. That's  
12 fine.

13 MR. SPEIDEL: All right.

14 BY MR. SPEIDEL:

15 Q. So, Mr. Saltsman and Mr. Bloomfield, you have before  
16 you, I believe, a copy of what has been premarked as  
17 "Confidential Exhibit 2", is that correct?

18 A. (Bloomfield) Yes.

19 Q. And, this was dated October the 2nd of 2014?

20 A. (Bloomfield) Yes.

21 Q. And, it was prepared primarily by Mr. Bloomfield, with  
22 the assistance of Mr. Saltsman, is that correct?

23 A. (Bloomfield) Yes.

24 Q. Could you also answer Mr. Saltsman?

[WITNESS PANEL: Bloomfield~Saltsman]

1 A. (Saltsman) Yes.

2 Q. Thank you. And, this is the response to Staff Data  
3 Response 1-16, correct?

4 A. (Bloomfield) That's right, yes.

5 A. (Saltsman) Yes.

6 Q. And, in the opinion of the Company, this contains  
7 confidential/proprietary business information, correct?

8 A. (Bloomfield) Yes.

9 A. (Saltsman) Yes.

10 MR. SPEIDEL: The Staff would request  
11 that the non-public session of this hearing be now begun.

12 CMSR. HONIGBERG: Sounds good.

13 (Pages 34 through 59 of this hearing  
14 transcript is contained under separate  
15 cover designated as "**Confidential &**  
16 **Proprietary**".)

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[WITNESS PANEL: Bloomfield~Saltsman]

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*(Pages 34 through 59 is confidential & under separate cover)*

1 (The public portion of the hearing  
2 resumes.)

3 CMSR. HONIGBERG: And, I think we're  
4 ready to move to the end of things. Is that right,  
5 Mr. Speidel?

6 MR. SPEIDEL: Yes. If we could just  
7 reiterate, we would recommend that we have the marking of  
8 the two exhibits, Exhibit 1 and Confidential Exhibit 2, as  
9 the Commission accepted the marking of each?

10 CMSR. HONIGBERG: Yes. We'll have  
11 those. We will strike the identification and those will  
12 become full exhibits.

13 MR. SPEIDEL: Excellent. Thank you.  
14 And, Staff also has a brief statement that we would like  
15 to make, if it possible?

16 CMSR. HONIGBERG: Mr. Speidel.

17 MR. SPEIDEL: Thank you very much.  
18 Staff supports Concord Steam's proposed 2014-2015 Cost of  
19 Energy rate. The Commission Audit Staff has reviewed the  
20 2013-2014 Cost of Energy reconciliation, and the under  
21 recovery used in calculating the proposed rate is not  
22 materially different from the audited and revised  
23 under-collection stated in the Final Audit Report prepared  
24 by the Commission Audit Staff.

1                   Concord Steam's plans for a new plant  
2                   are critical to the Company's ability to retain and add  
3                   new customers, and the Company has expressed a willingness  
4                   to provide quarterly updates to the Commission. Staff  
5                   recommends that the Commission direct the Company to file,  
6                   pursuant to RSA 374:4, a quarterly status report and  
7                   provide an updated report whenever there is -- excuse  
8                   me -- a significant development regarding the new plant  
9                   proposal, current operations, or future business plans.  
10                  Thank you.

11                   CMSR. HONIGBERG: Mr. Bloomfield or  
12                   Mr. Saltsman, you're no longer under oath. You want to  
13                   make a closing of any sort?

14                   MR. BLOOMFIELD: Yes. I do have a  
15                   question or a comment. If, in these quarterly reports,  
16                   there are discussions with equity partners or financial  
17                   entities that they don't want made public, we might need  
18                   to request some of that report be made confidential.

19                   CMSR. HONIGBERG: I think everyone  
20                   agrees with that. Right, Mr. Speidel?

21                   MR. SPEIDEL: Yes. That's implicit.  
22                   That's your statutory right. And, I think there would be  
23                   ability to consult with Staff informally regarding your  
24                   *pro se* filings of such, just to make sure they are not

1 over including material.

2 CMSR. HONIGBERG: Is there a deadline  
3 for an order in this matter?

4 MR. SPEIDEL: The usual deadline is the  
5 end of October.

6 CMSR. HONIGBERG: Is there anything else  
7 we need to deal with today?

8 MR. BLOOMFIELD: No.

9 MR. SPEIDEL: No.

10 CMSR. HONIGBERG: Thank you all very  
11 much. We are adjourned.

12 MR. SPEIDEL: Thank you.

13 **(Whereupon the hearing ended at 2:22**  
14 **p.m.)**

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