

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

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

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

5 A. I am Vice President of Concord Steam Corporation (“Concord Steam” or the
6 “Company”). I have been employed by Concord Steam since 1991. I received a
7 BS degree in from Franklin Pierce College.

8 **Q. Please describe your role with regard to the negotiation of the Special**
9 **Contract (“Contract”) with the Concord School District (“CSD”) that is the**
10 **subject of this proceeding.**

11 A. I played the lead role on behalf of Concord Steam in negotiating the Contract that
12 is being submitted to the Commission in this docket.

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

14 A. I will summarize the terms of and reasons for the Company's decision to enter
15 into the Contract with the CSD.

16 **Q. Please describe the historical background of Concord Steam’s relationship**
17 **with the CSD.**

18 A. For at least the past 40 years, Concord Steam has been providing retail steam
19 service to the CSD. The CSD is a School Administration Unit (“SAU”) organized
20 under the laws and statutes of the State of NH in order to provide educational
21 services to the public in Concord, New Hampshire. The CSD facilities represent
22 approximately 15% of the total annual steam load of Concord Steam, second only
23 to the State of NH facilities.

24 **Q. Were you able to reach any agreement with the CSD regarding the**

1 **negotiation of the Special Contract?**

2 A. Yes. . As part of the negotiation process, we determined, along with the CSD,
3 that the Special Contract should be structured in a way to give rate relief to the
4 CSD at its High School facility for a 3 year period effective as of 2014 and
5 commit the high school, Abbot-Downing and Christa McAuliffe elementary
6 schools as well as the Rundlett Middle School to a 10 year contract starting in
7 2017 by way of an extension as provided for in Attachment B of the Special
8 Contract.

9 **Q. Please describe the terms of the contract between Concord Steam and the**
10 **CSD as compared to Concord Steam’s tariff rates.**

11 A. A copy of the Special Contract and the Contract Extension between Concord
12 Steam and the CSD are attached to my testimony as MS-1. Pursuant to this
13 Contract, instead of a normal tariff base rate multiplied by the usage that is typical
14 of most Concord Steam customers, we elected to create a base rate that more
15 closely resembles a capacity charge based on the average from the previous three
16 years of use multiplied by a capacity charge factor. The usage will then be
17 adjusted by a three year rolling average to calculate the capacity payment and will
18 be calculated using the capacity factors and calculations as indicated in
19 attachment A of the contract., in advance, on a yearly basis to set the monthly
20 capacity payment (the “Monthly Capacity Payment”) for the upcoming contract
21 year (i.e., October 1 through September 30). This process would provide for a flat
22 revenue stream for Concord Steam as well as more consistent budget
23 considerations for the CSD. The Contract provides for a true-up mechanism for
24 the cost of energy (“COE”), in which any the COE would billed at the most recent

1 COE approved by the NHPUC multiplied by the actual monthly usage. This
2 insures that CONCORD STEAM is fully recovering the cost of energy associated
3 to actual steam sold to the CSD. Lastly, in order to accommodate the 2014
4 budget concerns of the CSD and willingness to continue its steam purchases, the
5 Company agreed to provide the CSD a contract that starts in 2014 versus the
6 current year. Concord Steam and the CSD have been negotiating this contract for
7 over a year and the CSD began its fiscal year in 2014 believing it would have the
8 contract in place.

9 **Q. How does the pricing mechanism of the three-year contract differ from the**
10 **ten-year extension?**

11 A. The ten-year extension differs in two ways. First it is for all of the existing
12 facilities that are currently on steam where the three-year contract is for the high
13 school facility only. Secondly, the extension allows for the most current COE and
14 Usage Rate on file with the NHPUC multiplied times the actual usage at each of
15 the facilities. This will effectively bring the Districts rates in line with the most
16 current tariff rates that are being provided to the Company's other ratepayers.
17 The difference being, going forward the District will only see Usage Rate
18 increases equal to the CPI index stated in the contract while other ratepayers will
19 be subject to increases brought by rate filings as approved by the Commission.

20 **Q. How does the Districts pricing mechanism of the ten-year contract differ**
21 **from the normal tariff rates?**

22 A. The ten-year extension differs in three ways. First it obligates the District to
23 purchase all of its steam heating requirements from the Company for a period of
24 ten years whereas tariff customers are under no obligation to purchase steam for

1 any particular period of time and can switch to alternative energy sources at any
2 given time. Secondly, as previously stated, the District will only see Usage Rate
3 increases equal to the CPI index agreed to in the contract while other ratepayers
4 will be subject to increases brought by rate filings as approved by the
5 Commission. Lastly, it employs a capacity payment mechanism to calculate a
6 regular monthly payment that is based on anticipated annual usage multiplied by
7 the Usage Rate and divided by twelve.

8 **Q. Do both the three-year contract and the ten-year extension require that the**
9 **District pay for the cost of energy at the most current rate on file with the**
10 **NHPUC for any steam purchased?**

11 A. Yes.

12 **Q. What does Concord Steam expect in the way of estimated revenues from the**
13 **three-year contract with CSD at the high school?**

14 A Concord Steam anticipates that the estimated revenues from steam sales during
15 the three year term of the special contract for the high school will result in
16 approximately \$380,000 in total capacity payment revenues.

17 **Q. How does this differ from the amount of revenues Concord Steam would**
18 **collect under its normal tariff rates?**

19 A. Concord Steam anticipates that the estimated revenues from steam sales at the
20 high school using the current base rate tariff on file with the NUPUC the
21 Company would have received approximately \$950,000 in base rate revenues
22 over the same three year period. The result is an annual discount of
23 approximately \$190,000 under the special contract.

24 **Q. Is this Contract in the public interest?**

1 A. Yes. It is in the interest of all of the Company's customers to retain the load
2 associated with the CSD; the CSD represents approximately 15% of the of the
3 Company's annual load. By retaining this load and the revenues associated with
4 it, Concord Steam is able to keep rates down for all of its customers and eliminate
5 the risk associated with losing the CSD load over the next 13 years. While there
6 is some revenue loss associated with providing service at this lower rate, that
7 revenue loss is less than the revenue loss to the Company's customers in the event
8 that the CSD load was lost altogether. Additionally Concord Steam expects that
9 after the existing steam plant is renovated that the special contract price of steam
10 for the CSD will not be any different than what most of Concord Steam's
11 customers will be charged under normal tariff rates. At the special contract rate
12 under the extension in Attachment B, 24,800 Mlbs/yr creates an annual base rate
13 revenue of over \$640,000. Further, the monthly capacity rate under the Special
14 Contract, as proposed for the high school by the three-year Contract, is not less
15 than the Company's marginal cost to provide service to the CSD. An estimate of
16 the Company's marginal cost is attached as Exhibit 1. Thus, there will not be any
17 undue subsidy by the Company's current customers of the CSD.

18 **Q. Are there other reasons that would support a finding that this Special**
19 **Contract is just and consistent with the public interest?**

20 A. Yes. The CSD, as a School Administrative Unit, provides vital educational
21 services to the public in the Concord area. It is in the public interest to maintain
22 the steam service to the CSD so that the CSD may avoid the necessity of
23 significant capital investment in the mechanical systems at its facilities. Thereby
24 CSD will avoid the increasing the CSD's tax rate to the Concord residents that

1 would be required for such a capital investment. Given the tax burden that
2 already exist on the Concord taxpayers, it is critical that steam service be as
3 affordable as possible so that the CSD can meet its obligations to its constituents
4 without the need for increased taxes due to investments in energy infrastructure.
5 Additionally, because retaining the load associated with the CSD also benefits all
6 of Concord Steam's customers, the Company believes that a deviation from the
7 terms of the Company's tariff is not only warranted but in the public interest.

8 **Q. What happens if the CSD defaults under the contract?**

9 A. Pursuant to Section 4 of the contract, the CSD would pay Concord Steam a
10 termination payment would be based on the difference between tariff base rates
11 and the discounted amount paid by CSD for any steam consumed prior to the
12 termination. This provision creates an incentive for the CSD to remain in good
13 standing and to avoid any disconnection of its steam service.

14 **Q. Are there any conditions in which CSD could terminate the contract without
15 penalty?**

16 A. Pursuant to Section 5 of the contract, CSD may terminate for cause for a number
17 of reasons that afford in protection in specific cases where CONCORD STEAM's
18 financial or physical ability to provide steam service at the rate provided for in the
19 contract is in jeopardy.

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

21 A. Yes.