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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

February 25, 2009 - 10:17 a.m.
Concord, New Hampshire

REDACTED
[FOR PUBLIC USE]

NHPUC APR09'09 AM 9:45

RE: DG 08-107
CONCORD STEAM CORPORATION:
Petition for Approval of Transfer
of Utility Assets, Distribution
System Upgrades and Steam Purchase
Agreement.

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

Connie Fillion, Clerk

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

Reptg. PUC Staff:
Edward N. Damon, Esq.
Matthew Fossum, Esq.

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

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P R O C E E D I N G S

1
2 CHAIRMAN GETZ: Okay. Good morning,
3 everyone. We'll open the hearing in docket DG 08-107. On
4 August 28, 2008, Concord Steam Corporation filed a request
5 for a determination that its plans to enter into a Steam
6 Purchase Agreement with Concord Power & Steam was in the
7 public interest, and a determination that the construction
8 of system upgrades are necessary to interconnect its
9 distribution system to its proposed new cogeneration
10 facility would be in the public interest, and a
11 determination that it was -- that it may be permitted to
12 sell certain utility assets to Concord Power. An order of
13 notice was issued on September 24 setting a prehearing
14 conference that was held on October 29. And,
15 subsequently, on November 12th, a procedural schedule was
16 approved in this proceeding calling for a hearing
17 originally on February 10th, that was subsequently
18 postponed to today. And, we also have before us a
19 Settlement Agreement that was filed on February 20.

20 Can we take appearances at this time
21 please.

22 MS. KNOWLTON: Good morning, Chairman
23 and Commissioners. My name is Sarah Knowlton. I'm with
24 the law firm of McLane, Graf, Raulerson & Middleton. And,

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1 I'm here today on behalf of Concord Steam Corporation.
2 With me today from the Company is Mark Saltsman and Peter
3 Bloomfield. And, we have one witness, Peter Bloomfield,
4 who I'll be putting on today.

5 CHAIRMAN GETZ: Okay. Good morning.

6 CMSR. MORRISON: Good morning.

7 CMSR. BELOW: Good morning.

8 MR. DAMON: Good morning, Commissioners.
9 Edward Damon, for the Staff. And, with me this morning
10 are Stephen Frink, Robert Wyatt, and Matthew Fossum.

11 CMSR. BELOW: Good morning.

12 CMSR. MORRISON: Good morning.

13 CHAIRMAN GETZ: Good morning. Are there
14 any procedural issues we need to address before we hear
15 from your witness?

16 MS. KNOWLTON: We have two exhibits that
17 we've marked -- we'd like marked for identification. The
18 first, and I apologize, they're out of order, the first
19 actually is the Settlement Agreement, and the second is
20 the Verified Petition that the Company filed to initiate
21 the docket.

22 CHAIRMAN GETZ: Okay. And, you propose
23 to mark those at this time?

24 MS. KNOWLTON: That's correct.

[WITNESS: Bloomfield]

1 CHAIRMAN GETZ: And, are we starting --
2 I guess there were no exhibits marked during the
3 prehearing conference, so the exhibits described by
4 Ms. Knowlton will be marked respectively as Exhibits
5 Number 1 and 2 for identification in this proceeding.

6 MS. KNOWLTON: Thank you. The Company
7 calls Peter Bloomfield.

8 (Whereupon **Peter Bloomfield** was duly
9 sworn and cautioned by the Court
10 Reporter.)

11 MS. KNOWLTON: I'm going to remain
12 seated for my examination, if that's okay?

13 **PETER BLOOMFIELD, SWORN**

14 **DIRECT EXAMINATION**

15 BY MS. KNOWLTON:

16 Q. Mr. Bloomfield, would you state your position with the
17 Company please.

18 A. I'm President of Concord Steam.

19 Q. How long have you been with the Company?

20 A. Since 1986.

21 Q. What is your educational background?

22 A. I've got a degree in Mechanical Engineering from Union
23 College.

24 Q. Have you testified before this Commission before?

[WITNESS: Bloomfield]

1 A. I have.

2 Q. In what kind of proceedings?

3 A. Miscellaneous rate cases.

4 Q. How about cost of energy proceedings?

5 A. About cost of energy, cost of rate base, and issues
6 related to the Company.

7 Q. Would you describe what kind of service Concord Steam
8 provides?

9 A. We provide heat in the form of steam to the immediate
10 area of downtown Concord, and other locations like this
11 State Office complex in Concord.

12 Q. Where is the Company located?

13 A. On the grounds of the State Office complex here.

14 Q. On Pleasant Street?

15 A. In Pleasant Street.

16 Q. And, the State owns that facility?

17 A. The State owns the property. We have a 30-year lease
18 of that, that we are leasing that facility from the
19 State of New Hampshire.

20 Q. When does that lease expire?

21 A. It expires August 30th, 2010.

22 Q. Would you describe the customers, the types of
23 customers that the Company serves?

24 A. Our customers are generally office space that is in

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[WITNESS: Bloomfield]

1 downtown Concord. The majority of our customer is
2 either federal, state, or city government buildings.
3 It's roughly 65 percent of our customer load. The
4 remainder is merchant, commercial office space, that
5 type of stuff downtown.

6 Q. Do you serve any residential customers?

7 A. We do serve one residential house, and we do serve a
8 couple of apartment buildings downtown as part of the
9 commercial space that we serve.

10 Q. And, in the case of the apartment buildings, is the
11 landlord the owner of the building, the customer of the
12 Company, as opposed to the individual tenants?

13 A. That's correct.

14 Q. Is the Company proposing to change the way in which it
15 provides steam service to its customer?

16 A. Yes. Yes, we are.

17 Q. And, would you explain, in general terms, what the
18 nature of that proposed change is?

19 A. Presently, the Company operates the facility, owns some
20 of the equipment in the facility, and generates all of
21 its own steam. All of the personnel that operate the
22 facility are -- work for the Company. And, we're
23 proposing to become more of a distribution modeled
24 company, rather than a generation one, and enter into a

[WITNESS: Bloomfield]

1 long-term purchase agreement for the steam, where we'll
2 be buying the steam from an outside party.

3 Q. So, currently, the Company both generates and
4 distributes steam to the customers?

5 A. That's correct.

6 Q. And, the Company, under the proposal, would essentially
7 just be a steam distribution company?

8 A. That's right.

9 Q. Do you have before you the exhibit that's been marked
10 for identification as "Exhibit 2"?

11 A. Yes, I do.

12 Q. And, is that -- that's a Verified Petition that the
13 Company filed with this Commission, is that right?

14 A. Yes. Yes, it is.

15 Q. And, does that petition generally describe this
16 transaction that you're referring to?

17 A. Yes.

18 Q. And, are you familiar with that petition?

19 A. I am.

20 Q. And, in fact, you signed that under oath, correct?

21 A. Yes, that's correct.

22 Q. And, are the facts that are in that petition
23 essentially the same today as when you filed that with
24 the Commission?

[WITNESS: Bloomfield]

1 A. Yes, they are.

2 Q. So, you indicated that the Company intends to purchase
3 the steam that it needs to serve its customers, its
4 retail steam customers in the Concord area, from a
5 third party. Who is that third party?

6 A. Concord Power & Steam.

7 Q. And, do you have an ownership interest in that entity?

8 A. Presently, I do, yes.

9 Q. And, do you have an ownership interest in Concord
10 Steam?

11 A. Yes, I do.

12 Q. Where is the Concord Power plant going to be located?

13 A. On the south end of Concord, in the old railroad yard.
14 It's down off of South Main Street.

15 Q. What will be the -- What's the projected capacity of
16 that plant?

17 A. It's planned to have a central wood-fired boiler,
18 capable of 180,000 pounds of steam an hour.

19 Q. And, can you just give us some background on that
20 plant, in terms of the generation of steam, versus the
21 generation of electricity at that plant?

22 A. There's -- The plant is designed to be base loaded,
23 generating renewable energy in the form of electricity,
24 as well as thermal energy in steam. The approximate

[WITNESS: Bloomfield]

1 percentage output from that facility is going to be
2 roughly 85 percent electricity and 15 percent steam and
3 thermal.

4 Q. Who will purchase the electricity from that -- that's
5 generated at that plant?

6 A. There's some utilities that we're negotiating with
7 purchase power agreements with now.

8 Q. That electricity would be sold essentially on the
9 wholesale market?

10 A. That's correct.

11 Q. And, would Concord Steam be purchasing most or all of
12 the steam output of that plant?

13 A. Yes.

14 Q. What is the status of the construction of that plant?

15 A. The facility has essentially all of its permits that it
16 needs to build it. We've got all the city and local
17 permits. We have all of the state permits necessary.
18 We're now trying to arrange for financing and
19 finalizing the miscellaneous off-take agreements and
20 arranging for financing.

21 Q. What's an "off-take agreement"?

22 A. I mean, as in a purchase power agreement, and just
23 finalizing the Steam Purchase Agreement.

24 Q. Has construction started at the site?

[WITNESS: Bloomfield]

1 A. Construction has started in terms of that the site has
2 been cleared, and remediated of asbestos and hazardous
3 waste, and is ready to start construction.

4 Q. And, all of the necessary architectural and engineering
5 plans, have they been completed?

6 A. The detailed design has not been completed, but there's
7 been preliminary design done to a stage sufficient
8 enough to provide the contractor with enough
9 information to provide a firm price to build the
10 project.

11 Q. Have you gotten quotes yet?

12 A. Yes. Yes.

13 Q. And, have you selected a contractor?

14 A. A contractor has been selected for the projection, and
15 that would be --

16 Q. And, who will that be?

17 A. Methuen Construction Company, out of Salem, New
18 Hampshire.

19 Q. When do you anticipate that construction of the
20 facility would begin?

21 A. We would hope to be able to start in April or May.
22 Again, it's going to primarily depend on when we can
23 finalize the financing on the project.

24 Q. Can you describe in more detail what the status of the

[WITNESS: Bloomfield]

1 financing is?

2 A. We have gotten some term sheets from a bank, and the
3 bank is in the midst of finalizing its information. It
4 needs to locate another bank in order to do the deal
5 with this bank. It has been told by its management
6 that it's not allowed to loan more than \$40 million on
7 any one project. So, they need to find a partner bank
8 now in order to finance the project. So, they're in
9 the process of doing that. And, the other portion that
10 needs to be completed before we can close on financing
11 is the -- finalizing the Steam Purchase Agreement and
12 the purchased power agreement.

13 Q. How will that financing affect your ownership interest
14 in the Company?

15 A. In order to finance the project, a significant portion
16 of the project has to be provided in terms of cash
17 equity. The bank will only loan roughly 80 percent of
18 the cash -- 80 percent of the funds necessary to build
19 the facility. So, Concord Power has had to go to
20 outside investors and equity partners to raise
21 approximately the 10 to 15 million additional dollars
22 that we'd need as equity.

23 Q. What is the total overall amount?

24 A. The total cost of the project is in the neighborhood of

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[WITNESS: Bloomfield]

1 \$70 million.

2 Q. So, 80 percent of that, roughly 80 percent of that
3 would be financed?

4 A. That's correct.

5 Q. And, the rest would be equity that's put in?

6 A. That's right, yes.

7 Q. Now, you've indicated that one of the pieces -- well,
8 let me go back to the timing for a minute. So, you've
9 indicated that, if the financing, if you're able to
10 work out the details of the financing within the next
11 few months, that you would expect the construction to
12 begin in April or May of this year?

13 A. That's correct, yes.

14 Q. Can you just sketch out in general terms, because later
15 we're going to talk about the actual transition of
16 service from your current facility to the new facility
17 once constructed. But what I'd like to just get a
18 general sense of now is what the timing is, once that
19 construction begins, until completion?

20 A. The period of construction, from start to completion,
21 is going to be slightly less than two years. So that,
22 if we can start in April or May, we'd be looking at
23 getting the project up and on line completely in
24 perhaps February of 2011.

[WITNESS: Bloomfield]

1 Q. And, that's a little bit further out in time than is
2 reflected in the Verified Petition that was filed,
3 correct?

4 A. That's correct.

5 Q. And, what has been the cause of that delay?

6 A. The delay has been primarily what's taken to finalize
7 financing.

8 Q. Okay. Before we get to the details of the Steam
9 Purchase Agreement that is before the Commission today,
10 I'd like you to address the options that Concord Steam
11 Corporation has, in terms of its operations? I mean,
12 currently, you manufacture steam on Pleasant Street at
13 the State facility. Would it be possible for Concord
14 Steam to stay at that location, instead of purchasing
15 the steam from Concord Power?

16 A. Yes, it would be possible. Part of the issues there is
17 the plant is very old and equipment is old. It's by no
18 means state-of-the-art. In order to stay there, we
19 would have to spend some significant money on upgrading
20 the equipment, and with not just newer, more efficient
21 boilers and that sort of set of equipment, but we would
22 also have to put the pollution control equipment on.
23 The site does not lend itself to putting in the same
24 type of project that is planned for South Concord with

[WITNESS: Bloomfield]

1 a base loaded electrical generation plant. So that, in
2 staying here, we wouldn't have this larger base of --
3 part of the advantage of moving to there is there's
4 going to be -- the plant is going to be base loaded.
5 There's going to be -- all of the fixed costs and
6 operating costs of the operation will be spread over a
7 much larger base, with the electricity generation
8 carrying 85 percent of the cost of the operation of the
9 project, it's ongoing staff and everything else related
10 to the project. In staying here, we wouldn't have
11 those advantages of economy of scale, and it would
12 cause our rates to have to go significantly more,
13 because of the infrastructure improvements we'd have to
14 make here.

15 Q. Currently, my understanding is is that Concord Steam
16 receives regular daily deliveries of wood chips?

17 A. That's right, yes.

18 Q. And, those are -- how do they get to the Company?

19 A. They come through, essentially, through downtown
20 Concord. We get in the neighborhood, over an entire
21 year, of roughly 50,000 tons of wood. And, the new
22 facility will be using approximately 250,000 tons of
23 wood. So, that would be another complication in trying
24 to stay here and build a new facility in this location

[WITNESS: Bloomfield]

1 is increased truck traffic and the associated issues
2 with that.

3 Q. And, are there any issues associated with the ability
4 to connect into the grid, the electric grid, at your
5 current facility?

6 A. The electrical interconnection issues are more
7 difficult at this facility, as opposed to the location
8 in South Concord.

9 Q. Is it possible that Concord Steam could just buy steam,
10 instead of from Concord Power, from another source?

11 A. It is possible. There's been certainly no interest, no
12 one has ever approached us on that. It just hasn't --
13 hasn't risen on the radar screen.

14 Q. Are you aware of anyone that you could buy -- any
15 company that you can buy from?

16 A. No, I'm not.

17 Q. So, it's a theoretical possibility?

18 A. That's a theoretical possibility.

19 Q. Setting aside the issues that you raised about
20 remaining at the current site and the inherent
21 limitations, physical limitations of that site, why
22 couldn't Concord Steam, the utility, develop and own
23 the cogen plant at that location in South Concord? Or,
24 actually, let me just ask you, could it?

[WITNESS: Bloomfield]

1 A. It could, but for the requirements of capital. That
2 there's been approximately \$3 million invested to date
3 in -- from miscellaneous investors in this project,
4 that's 3 million that Concord Steam certainly doesn't
5 have. And, we're going to need an additional --
6 Concord Power is going to have to raise roughly an
7 additional \$10 million or so to finance the project.
8 That's also not funds that -- cash equity funds that
9 Concord Steam doesn't have. I mean, our total book
10 value of the whole company is in the neighborhood of \$3
11 to \$5 million, depending on what's included.

12 Q. Why couldn't Concord Steam just finance the
13 construction of the cogen plant?

14 A. Because a certain amount of equity cash is required.
15 It's like, when you go to buy a house, the bank
16 requires a certain amount of cash equity. You can't
17 take out a second mortgage and borrow money to provide
18 that cash equity. You need to have that cash equity
19 unrestricted in order to borrow the rest of the money.

20 Q. Looking at Exhibit 2, which is the Verified Petition
21 that you signed --

22 A. Yes.

23 Q. -- and the Company filed with the Commission. Can you
24 describe generally what that Petition asks the

[WITNESS: Bloomfield]

1 Commission to do in this case?

2 A. It asks to approve the Steam Purchase Agreement, and
3 doing that because, at present, the two companies,
4 Concord Steam and Concord Power & Steam are affiliated,
5 and therefore needing their approval because they're
6 affiliated companies.

7 Q. Did Concord Steam also, well, put the Steam Purchase
8 Agreement before the Commission because ultimately
9 Concord Steam will be seeking recovery of the rates --
10 through rates the costs that it incurs through the
11 Steam Purchase Agreement, is that right?

12 A. Yes, that's correct.

13 Q. And, did the Company have any concerns about, if it
14 hadn't brought the agreement before the Commission now,
15 and went ahead and entered into an agreement with
16 Concord Power and then came to the Commission, that it
17 could end up with possibly some stranded costs or some
18 issues if no one had looked at the transaction
19 beforehand?

20 A. Yes, that's right. As it was an affiliate agreement,
21 and we're looking to recover these costs through cost
22 of energy and rate-related issues, we wanted to make
23 sure that the Commission was informed and agreed with
24 the concept.

[WITNESS: Bloomfield]

1 Q. Okay. And, the Verified Petition has a version of the
2 Steam Purchase Agreement that's attached to it, is that
3 right?

4 A. Yes.

5 Q. And, has the Company made any changes to the Steam
6 Purchase Agreement through the course of this docket?

7 A. Yes, we have.

8 Q. And, is the updated version of the Steam Purchase
9 Agreement attached to Exhibit 1, which is the
10 Settlement Agreement that we're presenting today?

11 A. Yes, it is.

12 Q. And, what was the -- what was the cause of those
13 changes?

14 A. It was -- The changes were as a result of Staff and
15 Company interaction and reviewing and going over the
16 document, and just making revisions and correcting it,
17 defining it better.

18 Q. Did you -- you're familiar with the fact that Staff
19 filed testimony from two witnesses in this case?

20 A. Yes.

21 Q. And, did you review that testimony?

22 A. Yes, I did.

23 Q. And, were some of the changes that the Company agreed
24 to in the Steam Purchase Agreement a result of issues

{DG 08-107} [REDACTED - For Public Use] {02-25-09}

[WITNESS: Bloomfield]

1 that were raised by the Staff in its testimony?

2 A. Yes, it is.

3 Q. Are there any other approvals that the Company is
4 seeking through the Verified Petition? And, you can
5 take a look at the Petition.

6 A. Approval of not just the Steam Purchase Agreement, but,
7 as part of the arrangement, Concord Steam owns certain
8 hard assets that once it is no longer a generation
9 company has no use for. And, those hard assets,
10 Concord Steam is looking to sell to Concord Power.
11 And, so, we're looking for approval to transfer of
12 those assets.

13 Q. And, can you describe how much electricity is currently
14 cogenerated through those assets that Concord Steam is
15 seeking to sell to Concord Power?

16 A. We -- Concord Steam presently cogenerates in the
17 neighborhood of 6 million kilowatt-hours a year of
18 electricity.

19 Q. And, how does that compare to the amount of electricity
20 that is projected to be generated at the Concord Power
21 plant?

22 A. The total output of the Concord Power facility is in
23 the neighborhood of 150 million kilowatt-hours a year.

24 Q. Are the assets that Concord Steam is seeking to

[WITNESS: Bloomfield]

1 transfer to Concord Power, are those the assets that
2 are described on the attachment to the Petition, I
3 think it's Exhibit B, if you would look at that?

4 A. Yes.

5 Q. Do you have that in front of you?

6 A. Yes, I do.

7 Q. Okay. Would you -- at the bottom of that exhibit, it
8 indicates that the purchase price would be \$1.5 million
9 for those assets?

10 A. That's correct.

11 Q. How did you arrive at that price?

12 A. We looked at the valuing of those assets in three
13 different ways. We looked to see what our -- what the
14 depreciated net value of those assets were on our books
15 at the present time. We tried to make an estimate of
16 what these pieces of equipment might be able to be sold
17 at in the used equipment market. And, we also
18 considered what the new replacement value of this
19 equipment would be. In doing that, the new replacement
20 is in the neighborhood of three and a half million
21 dollars. And, the depreciated net value and the used
22 market value is roughly the same; depreciated net being
23 roughly 700,000, used equipment is something slightly
24 more than \$600,000.

[WITNESS: Bloomfield]

1 So that, in picking the number of one
2 and a half million dollars, it was -- it's an overall
3 benefit to Concord Steam. We feel it represents what
4 this equipment is worth to Concord Power, in that
5 they're getting a benefit from not having to buy all
6 new equipment. It is used equipment, it's not new
7 equipment. So, it's not appropriate to try and charge
8 the price of new equipment. But we felt it was more
9 than what the used equipment market value would be.
10 So, we chose the million and a half dollars.

11 Q. If the Commission were to approve the sale of the
12 equipment to Concord Power, what would be the timing of
13 the actual transfer of the equipment?

14 A. As the -- obviously, the existing facility needs to
15 stay operational until the point where Concord Power is
16 able to provide steam. So, there's going to be some
17 transfer there. And, so, at some point, as the Concord
18 Power facility becomes more -- becomes closer and
19 closer to the point of commercial operation, the
20 Concord Steam operation will discontinue burning of
21 wood and start to provide that equipment to Concord
22 Power. At that time is when the payment will be made
23 for that equipment. During that, basically, in the --
24 probably toward the middle, the end of 2010, when -- as

[WITNESS: Bloomfield]

1 the equipment is being prepared to transfer to Concord
2 Power.

3 Q. Just looking at this list, most of this equipment
4 appears to be quite large?

5 A. That's correct.

6 Q. What's the physical process for removing it from the
7 current location and getting it down to South Concord?

8 A. Some of the equipment, we have multiple redundant parts
9 and pieces. And, so, some of the equipment we have
10 operational in the steam plant is not equipment that's
11 appropriate for Concord Power, that we're not going to
12 be selling to Concord Power. So, there's equipment
13 that we're going to be able to continue to use and
14 operate the facility even as we take some out. So that
15 -- And, at some point, what we'll have is the Concord
16 Power facility will have the gas-fired back-up boilers
17 in place and operational before they're completely
18 operational. And, so, we'll have -- be burning gas at
19 the present location, as well as capable of burning gas
20 at the new location, and having two sources of steam
21 available as some of the transfer of equipment is made.

22 Q. Concord Steam currently has a lease with BS & Chips for
23 a woodyard, correct?

24 A. That's correct.

[WITNESS: Bloomfield]

1 Q. And, under this transaction, would Concord Steam
2 continue in that lease arrangement?

3 A. No. No.

4 Q. Why not?

5 A. Concord Steam would discontinue that lease, and that
6 woodyard and the lease and control of that woodyard
7 would be handed off to Concord Power.

8 Q. Is any of this equipment that's on this schedule or
9 this Exhibit B located at the woodyard?

10 A. Yes.

11 Q. Which types of equipment?

12 A. The truck scale, the front-end loader, the truck dump,
13 the wood chip trailers, and the tractor that -- the
14 truck tractor that hauls those trailers are all part of
15 the -- either part of the woodyard or associated with
16 operating the woodyard.

17 Q. All right. Let's turn to the Settlement Agreement,
18 which has been marked as "Exhibit 1". Do you have that
19 before you?

20 A. I do.

21 Q. And, the Company is a party to that, correct?

22 A. Yes.

23 Q. And, that Settlement Agreement was the result of
24 negotiation between the Staff of the Public Utilities

[WITNESS: Bloomfield]

1 Commission and the Company, right?

2 A. That's correct.

3 Q. Attached to the Settlement Agreement is the Steam
4 Purchase Agreement. Do you see that?

5 A. Yes.

6 Q. And, are you familiar with that version of the Steam
7 Purchase Agreement?

8 A. I am.

9 Q. What I want to do is I want to go through the terms and
10 conditions of that Steam Purchase Agreement with you in
11 some detail, because I believe that that's really
12 central to this transaction that the Company is
13 proposing and seeking approval of. Would you describe,
14 in general terms, what Concord Steam Corporation has
15 agreed to in this agreement with Concord Power?

16 A. Concord Steam has agreed to purchase all of its steam
17 requirements from Concord Power, at -- under a given
18 price structure as defined in the Agreement.

19 Q. Did Concord Steam reserve the right to purchase steam
20 from others, if it so desires?

21 A. Yes. Concord Steam does have the right that, if the
22 conditions are appropriate, Concord Steam can purchase
23 steam from another party or it can generate its own
24 steam in the back-up boilers that it will own that will

[WITNESS: Bloomfield]

1 be on the property of Concord Power.

2 Q. And, you just said "if the conditions were
3 appropriate", what did you mean by that?

4 A. If there was an issue with wood supply and the cost of
5 wood was more expensive, or if natural gas, for
6 instance, got very inexpensive, and it was more
7 appropriate for Concord Steam to buy steam that might
8 be less expensive than what would be otherwise be able
9 to be generated by burning wood.

10 Q. So, if you would look at Section 2.5 of the Steam
11 Purchase Agreement.

12 A. Yes.

13 Q. Does this embody that provision?

14 A. Yes.

15 Q. And, is it entirely within the purview of Concord Steam
16 to make that determination about --

17 A. Yes.

18 Q. -- whether to self-generate --

19 A. Yes.

20 Q. -- or to purchase from a third party?

21 A. Yes. It's Concord Steam's decision as to whether to
22 operate its own boilers, purchase from a third party,
23 or buy steam from Concord Power.

24 Q. How would Concord Steam self-generate?

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1 A. Concord Steam will own two new gas-fired back-up
2 boilers that will be located at the Concord Power
3 facility. And, we have the right to operate those
4 whenever we feel it's appropriate.

5 Q. Looking at Section 2.7 of the Agreement, it refers to
6 "back-up boilers".

7 A. Yes.

8 Q. Are those the boilers that you're referring to?

9 A. Yes, it is.

10 Q. And, when would Concord Steam purchase those?

11 A. Concord Steam would purchase those, obviously, in time
12 for installation at the new facility. It would
13 probably place an order for those boilers in -- maybe
14 probably about a year from start-up of construction of
15 the Concord Power facility.

16 Q. What is the approximate cost of the back-up boilers?

17 A. Those boilers are approximately \$900,000.

18 Q. For one or for two?

19 A. For both boilers, is the cost of both boilers.

20 Q. Where would they be located?

21 A. They would be installed and located at the Concord
22 Power facility on South Main Street.

23 Q. And, looking at Section 2.7, does that describe the
24 terms that would govern the operation and maintenance

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1 of those boilers?

2 A. Yes. And, it also allows that, if we need to increase
3 the capacity or modify those boilers, that Concord
4 Power will do what's necessary to let us do that.

5 Q. So, they're going to be owned by Concord Steam,
6 correct?

7 A. That's correct.

8 Q. But they will be run by Concord Power?

9 A. That's correct.

10 Q. What happens if there's a problem with Concord Power,
11 if Concord Power goes out of business?

12 A. Concord Steam owns those boilers, has rights to those
13 boilers, and, if necessary, could relocate those
14 boilers to another location and continue to operate.

15 Q. And, with those -- those boilers are sufficient to meet
16 the steam requirements of Concord Steam?

17 A. Yes, they are.

18 Q. And, you indicated that they're going to be owned by
19 Concord Steam. Are there any provisions in this Steam
20 Purchase Agreement that -- that actually provide any
21 kind of assurances, you know, that they're owned by
22 Concord Steam?

23 A. Yes. There's a clause that -- where Concord Steam
24 files UCC statements and such, and put those on file to

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1 make it clear to everybody that the boilers are owned,
2 in fact, by Concord Steam, and not by Concord Power.

3 Q. And, that's in Article 16 in the agreement?

4 A. Yes.

5 Q. And, do you know whether, for example, when the
6 financing is obtained for the construction of the
7 plant, whether, under this Article 16, whether Concord
8 Power would be able to pledge those assets, those
9 back-up boilers, as some form of security for the
10 financing that it enters into?

11 A. No, they would not, because don't -- they wouldn't own
12 them.

13 Q. Okay. And, what about the land on which they're
14 located? Who's going to own that land?

15 A. That is -- That land would either be owned by Concord
16 Power or leased by Concord Power in a long-term lease.

17 Q. Who currently owns the land?

18 A. Another entity owns the land. It's presently myself
19 and Mark.

20 Q. Is there -- Do you own it in your individual capacity?

21 A. No, as P&M Realty.

22 Q. Okay. And, if you look at the signature page in the
23 Steam Purchase Agreement on Page 23, at the bottom,
24 there's "Agreed" -- there's language that says "Agreed

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1 and Accepted as to Article 16 only: P&M Realty of
2 Concord, LLC". Is that the entity that you're
3 referring to as the "landowner"?

4 A. Yes, it is.

5 Q. And, do you know why P&M Realty would be signing the
6 Steam Purchase Agreement?

7 A. Just to make it clear that the boilers that are owned
8 by Concord Steam are owned by Concord Steam and not
9 part of any part of Concord Power's property or right,
10 nor does Concord Power have any rights to them.

11 Q. So, P&M Realty also would not be able to obtain any
12 kind of lien or security interest in those boilers that
13 belong to Concord Steam?

14 A. That's correct.

15 Q. Is the Company going to be seeking to recover the cost
16 of the back-up boilers as part of its rates?

17 A. Yes, we are.

18 Q. When would you do that?

19 A. We'll be filing a new base rate case probably in early
20 2010. Part of that base rate case would cover the fact
21 that we would no longer be operating and generating
22 steam, that we'll be purchasing steam. It would also
23 cover improvements to the existing steam distribution
24 system that we plan to make, re-insulating significant

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1 sections of the line, trying to rereduce our line loss
2 issues that we have, and looking to recover the cost of
3 the interconnecting piping that would run from the
4 Concord Power facility to -- connected to our existing
5 distribution system.

6 Q. Take a look at Section 5(b) of the Settlement
7 Agreement. Do you have that before you?

8 A. I do.

9 Q. Okay. Did the Company and the Staff of the Commission
10 agree on any terms relating to these two back-up
11 boilers?

12 A. That the purchase of the back-up boilers is prudent and
13 in the best interest of Concord Steam and the
14 ratepayers.

15 Q. What are the Staff and the Company asking the
16 Commission to do with regard to the back-up boilers?

17 A. They will be reviewing the final costs and asking the
18 Commission to approve those as being prudent.

19 Q. And, that the review of those final costs would come
20 through that base rate case that you were referring to?

21 A. That's correct, yes.

22 Q. All right. Going back to the Steam Purchase Agreement,
23 you indicated that Concord Steam has the right to
24 purchase all of its requirements, steam requirements

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1 from Concord Power. Can you explain the process for
2 determining how much steam actually has been delivered
3 from Concord Power to Concord Steam?

4 A. There will be a couple of steam flow meters, Btu
5 meters, actually installed at the Concord Power
6 facility. There will be two duplicate meters, and one
7 of which will be owned and controlled by Concord Power
8 and the other by Concord Steam. And, we'll be using
9 those meters to track and quantify the amount of steam
10 actually being sold and purchased.

11 Q. If you look at Article 6 of the Steam Purchase
12 Agreement that's called "Metering".

13 A. Yes.

14 Q. That refers to two different meters that are going to
15 be located at the Steam Delivery Point. What is the
16 "Steam Delivery Point"?

17 A. It is the point at the Concord Power facility where the
18 steam line exits the building and enters the -- and
19 goes and starts the underground distribution line.

20 Q. Would you -- This Section 6.1 refers to a "Primary
21 Steam Meter" versus a "Back-Up Meter". Can you explain
22 the difference between the two?

23 A. The "Primary Meter" would be one that is used as the
24 meter that would be used to actually buy and sell steam

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1 off of. The "Back-Up Meter" is there in case there is
2 a problem with the Primary Meter or -- and also as a
3 double check, to make sure that the Primary Meter stays
4 accurate.

5 Q. Does Concord Power own both meters?

6 A. Concord Power would own the Primary Meter and Concord
7 Steam will own and control the second meter, the
8 Back-Up Meter.

9 Q. And, what rights does the utility have, that being
10 Concord Steam, what rights does the utility have to
11 make sure that the meter is being read correctly?

12 A. We have a clause in there that all of the records of
13 those meters will be tracked and stored electronically.
14 That Concord Steam personnel have access to those
15 meters when -- however they would like, and have access
16 to all records and maintenance on those meters as well.

17 Q. Could Concord Steam be present when the meter is read?

18 A. Yes.

19 Q. Do you anticipate that happening?

20 A. Yes.

21 Q. And, what about -- is there any provision with regard
22 to any inaccuracies in the meters -- in the meter and
23 how that would be handled?

24 A. If there's a difference between the two meters, then

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1 the appropriate meters would be investigated,
2 recalibrated as necessary, and the meter readings would
3 be adjusted accordingly.

4 Q. So, Concord Steam can take the data that it has from
5 the Back-Up Meter and compare that to the data that's
6 generated from the Primary Meter to ensure accuracy?

7 A. Yes. That's right, yes.

8 Q. Section 6.2.3 refers to "seals being on the meter".
9 What does that mean?

10 A. Just that, if a -- in order for the internals of the
11 meter to be accessed for calibration to happen for a --
12 for calibration of the metering to be modified, the
13 seals would have to be broken in order to get into the
14 equipment to actually change that calibration. You
15 know, the seals is just an indication that -- a simple
16 mechanical indication that there's been no tampering
17 with the meters.

18 Q. How often will each of those two meters be calibrated?

19 A. I believe that they would be done on a regular basis
20 every three years, and as necessary.

21 Q. You can look at Section 6.2.5 on "meter testing".

22 A. Will be calibrated annually, but bench tested every
23 three years. There's a difference between calibrating
24 and bench testing.

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1 Q. What's the difference?

2 A. "Calibrating" is you just make sure that the
3 instrumentation in place is measuring the temperature
4 and pressure that it's supposed to be doing. And,
5 "bench testing" actually means removing the meter from
6 the steam line and sending it out to a calibrated -- a
7 certified manufacturer, who then examines it and
8 recalibrates it on their calibrated bench test system.

9 Q. Would you explain how, if there's a dispute between
10 Concord Steam and Concord Power about a meter reading,
11 how would that dispute be resolved?

12 A. The mechanics of it would be that, if there was a
13 disagreement over what the steam amounts on that meter
14 were, we would -- Concord Steam would do -- take a
15 similar analysis to what it does with its existing --
16 all of its existing steam meters and comparing its use
17 to in any one particular month to a previous month, and
18 that month a year ago, and using historical data to
19 determine if, in fact, the values there are reasonable
20 or not. And, if they're not reasonable, then we'd go
21 and do whatever dispute resolution is appropriate.

22 Q. And, Article 19 of the Steam Purchase Agreement
23 contains a "Dispute Resolution" clause, correct?

24 A. That's correct.

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1 Q. And, that provides for arbitration initially for a
2 resolution of the dispute?

3 A. Yes.

4 Q. And, if you look at Article 6.2. -- or Section 6.2.6 of
5 the Agreement, it says that "the Party disputing the
6 meter reading or bill shall pay the undisputed amount
7 in a timely manner and the disputed matter shall be
8 resolved according to the terms and conditions detailed
9 in Article 19 of the Agreement." Is that right?

10 A. Yes, that's right.

11 Q. And, when it says "the Party disputing the meter
12 reading shall pay the undisputed amount", I mean,
13 that's going to be Concord Steam, right?

14 A. Yes, that's correct.

15 Q. And, under that same provision, if it's determined that
16 Concord Steam had paid too much, it would receive that
17 payment back with interest, correct?

18 A. That's right.

19 Q. All right. The next topic that I'd like to address is
20 the price that Concord Steam is going to pay for the
21 steam that it purchases under this agreement.

22 A. Okay.

23 Q. And, that's described in Article 7, correct?

24 A. Yes.

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1 Q. And, can you just identify the components of the price
2 of the steam?

3 A. There's three primary components. There's a capacity
4 component, an O&M component, and a fuel charge
5 component.

6 Q. All right. Let's take them one by one and walk through
7 them.

8 A. Yes. The Capacity Charge is primarily to cover the
9 debt service requirements of the project. And, it is,
10 as is all of the other charges related to all of the
11 price of steam, dollars related based on a steam sales
12 percentage. Which means, if Concord Steam takes
13 15 percent of the total steam capable of being
14 generated by that facility, then Concord Steam pays
15 15 percent of the cost of fuel, it pays 15 percent of
16 the cost of labor under operation and maintenance, and
17 it pays 15 percent of the debt service coverage of the
18 facility.

19 Q. Let me stop you there. You referred to the "debt
20 service on the project". If you go to the "Definition"
21 section of the Steam Purchase Agreement and look at
22 Section 1.13, --

23 A. Yes.

24 Q. -- "Debt Service Payment". Does that define, with

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1 regard to the Capacity Charge, what that debt service
2 payment is?

3 A. Yes, it does.

4 Q. And, can you walk us through that please?

5 A. Concord Power will be entering into a long-term loan
6 arrangement and have certain requirements, in terms of
7 paying its debt. One of the requirements that the bank
8 has is that the -- that there be enough profit and
9 coverage of cash flow from the whole project that there
10 be a debt service coverage ratio of 1.5. That's one of
11 the requirements of the bank. So that the debt service
12 payment that Concord Steam would be making to Concord
13 Power is that debt service, the actual debt service
14 payment paid to the bank, multiplied by 1.5, multiplied
15 by the steam sales percentage of the 15 or 13 percent,
16 whatever that percentage actually happens to work out
17 in any given year.

18 Q. If you look at that definition of "debt service
19 payment", it has some exclusions. It excludes "capital
20 associated with the installation of the Seller's
21 plant's turbine generators and their subsystems".

22 A. That's correct.

23 Q. Why is that?

24 A. Because the steam system is not taking part in any

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1 revenue or benefits from the steam -- from the
2 generation of electricity, so it's not paying for any
3 of those capital costs. Nor is it paying for any of
4 those operation or maintenance costs related to
5 operation -- construction or operation of the steam
6 turbine electrical generating portion of the project.
7 Other than a small part of it, in that the plant will
8 be generating all of its own electricity that it uses
9 in-house. So, that a small amount of the power that it
10 generates is used to drive the pumps and the fans that
11 operate the boiler. And, so, Concord Steam will be
12 paying a small percentage of that, of that operating
13 cost and capital cost to cover that small percentage of
14 it. It works out to about one and a half percent,
15 actually, of the turbine generator cost, because the
16 way it works out is the plant service, the station
17 service, the power required to operate the facility is
18 about 10 percent of the overall gross output of the
19 plant. And, the steam sales percentage is 15 percent
20 of the gross output of the plant. So, the amount of
21 that turbine that Concord Steam has to pay for is
22 15 percent of 10 percent, or roughly one and a half
23 percent.

24 Q. Going back to the Section 7.2 on the Capacity Charge,

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1 that's charged on a monthly basis?

2 A. Yes.

3 Q. And, you indicated that the Capacity Charge is equal to
4 the debt service payment, multiplied by the steam sales
5 percentage, multiplied by 150 percent, and then divided
6 by the amount of steam forecast. That's only for the
7 first 15 years of this agreement, correct?

8 A. That is correct.

9 Q. And, what is the length of this agreement in totality?

10 A. This is a 30 year contract, with an additional 20 year
11 optional extension that, for the first 15 years, when
12 the debt service is in place, that that arrangement is
13 is in place. After, from year 16 to year 30, the
14 capacity payment drops significantly, basically to
15 cover -- it continues to cover reinvestment in the
16 facility, to, as the plant gets older, it's going to
17 have to be spending money and reinvesting money to keep
18 it -- keep it up and operational. And, so, that's --
19 that's the function, a feature that we have to make
20 sure that the facility has funds available to do that.

21 Q. Now, if you look at Section 7.2.1.4, that addresses
22 what happens when capital improvements are necessary to
23 the Concord Power plant and how that -- what happens to
24 the Capacity Charge. Can you walk us through how that

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1 will work?

2 A. That's in the case that there is a significant
3 improvement that Concord Power will then want to try
4 and recover. If, for instance, it wanted to make a
5 major improvement to its fuel handling system, with
6 the ultimate benefit of being able to reduce its
7 long-term operating costs, then that additional cost of
8 capital cost would be -- would be added to the Capacity
9 Charge in the facility. Since, if the facility is able
10 to reduce its fuel costs or reduce its operation and
11 maintenance costs, Concord Power would get no benefit
12 from that, because Concord Steam is simply paying
13 exactly what its fuel costs are and exactly what its
14 O&M costs are. So that, in order to allow them to make
15 investments to improve operations, we have this
16 Capacity Charge modification clause.

17 Q. Would Concord Steam need to consent to that improvement
18 that's made?

19 A. Yes, we would.

20 Q. And, there is a trigger in the 7.2.1.4 of \$100,000, is
21 that correct?

22 A. That's correct, yes.

23 Q. Okay. And, if you look at that section on the bottom
24 of Page 9, there's a sentence that says that the

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1 "Seller shall cooperate with the Buyer to structure the
2 Capacity Charge in a matter that's recoverable through
3 the Buyer's rates consistent with applicable New
4 Hampshire law."

5 A. Yes.

6 Q. Do you know -- Why is that in there?

7 A. In order to be able to make sure that, as we ask for
8 recovery of this capital charge through our rate base,
9 that we don't get into issues of construction work in
10 progress type issues, to make sure that any
11 improvements are installed and in service before we
12 actually ask for recovery in those rates.

13 Q. And, you just referred to "base rates", but the
14 Capacity Charge is going to be recovered through the
15 Company's cost of energy?

16 A. That is correct, yes.

17 Q. And, in fact, is all -- all of the payments, the price
18 of the steam that the Company pays under this agreement
19 are all going to be -- the Company's going to be
20 seeking to recover those costs through the cost of
21 energy proceeding each year, correct?

22 A. That's right, yes.

23 Q. And, that's approved by this Commission?

24 A. Yes.

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1 Q. All right. Let's go next to the "Operation and
2 Maintenance Charge", in Section 7.3.

3 A. Okay.

4 Q. That's the second component of the steam purchase
5 price, correct?

6 A. Yes.

7 Q. And, how -- can you walk us through what that charge
8 consists of?

9 A. It consists of essentially everything that is either
10 not debt service related or actual fuel cost related.
11 So that it includes labor for the facility, operation
12 and maintenance of the facility, repair parts. It also
13 includes, for instance, the lease on the woodyard would
14 be all wrapped into the Operation and Maintenance
15 Charge.

16 Q. And, are there any limits on what Concord Power can
17 charge through this O&M Charge?

18 A. The O&M Charge, Concord Steam has the right, through
19 this agreement, to review all of those charges that
20 they're trying to pass on, and make sure that they're
21 prudent and appropriate and in accordance with good
22 industry practice.

23 Q. And, actually, the 7.3 uses the term "Good Utility
24 Practices", correct?

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1 A. Yes. That's correct.

2 Q. So, all of the charges that flow through this O&M
3 section has to be consistent with Good Utility
4 Practice, in order to be rightfully charged to Concord
5 Steam?

6 A. Yes, they do.

7 Q. And, what is the time period over which those charges
8 are determined?

9 A. It's looked at on an annual basis, as is the -- all of
10 the other charges are looked over for -- over an annual
11 basis the amount of steam that's projected to be sold
12 over that year, is, at the beginning of each service
13 year, we have a sit-down and coordination, where we
14 determine how much steam is going to be sold, what the
15 approximate costs are going to be for that year, and it
16 sets -- will set the cost of steam for the year. At
17 which point we then use those costs and come to the
18 Commission for our annual Fuel Adjustment Clause that
19 we now recover.

20 Q. Section 7.3 states that the "O&M Charge is not to be
21 reconciled --

22 A. That's correct.

23 Q. -- with the actual costs for the past years"?

24 A. That's correct.

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1 Q. Why is that?

2 A. It's just to try and keep it a little simpler. That
3 we're going to look at what they had for the past year,
4 say what we feel costs were prudent and reasonable.
5 And, if they had a significant increase or decrease in
6 some particular type of cost or expense, then that
7 would be reflected in the following year.

8 Q. So, if Concord Steam was looking at those costs and saw
9 something that it didn't think was appropriate, what
10 would Concord Steam do?

11 A. It would reject those costs as not being prudent or
12 with Good Utility Practice.

13 Q. And, is that a process that you anticipate the utility
14 undertaking?

15 A. Yes.

16 Q. Okay. Let's turn next to the Fuel Charge, which is the
17 third element of the price of steam.

18 A. Yes.

19 Q. Would you describe how that works?

20 A. It's similar to the others. That there will be a
21 projection as to what the cost of fuel, the actual cost
22 of wood fuel would be over the year, and use that to
23 determine the Fuel Charge. We would have a feature in
24 there where, if there is some upset in the market and

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1 the fuel price changes, that there would be an allowed
2 judgment that could be -- that could be adjusted up or
3 down within a margin on a month-to-month basis, if
4 necessary. And, at the end of each year, their actual
5 cost of fuel would be reconciled and defined. And,
6 we'll look at what those actual costs of fuel were,
7 versus the projected costs. We'll reconcile those, and
8 any differences will be applied to the following year
9 in the Fuel Charge calculation.

10 Q. And, this is all based on the cost of wood?

11 A. Yes, primarily. There's -- What we expect to be in
12 this is the cost of wood. There is a small charge in
13 that Fuel Charge that would be a small amount of
14 natural gas. And, any fees related to procuring the
15 wood would be included in that Fuel Charge.

16 Q. Do you have any sense for Concord Power's ability to
17 negotiate wood purchases at a more favorable price than
18 Concord Steam currently, given the amount of wood is
19 going to be significantly higher?

20 A. There's a couple of reasons why the Concord Power
21 should be able to provide wood, procure wood at a
22 better -- under better conditions than Concord Steam
23 can now. Concord Steam now is very cyclical. We need
24 a lot of wood in the winter and we don't -- we hardly

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1 need any wood at all in the summer. And, that is not
2 necessarily when the better logging is. The better
3 logging and the production of that wood tends to be in
4 the summer and fall, and that's not when we need the
5 wood.

6 Now, when Concord Power starts
7 operating, it's going to be base loaded. It will have
8 a much more consistent requirement for fuel, and so
9 that loggers can be -- can rely on being able to
10 continue to supply the facility year-round. It's just
11 not the case with Concord Steam now. We often shut the
12 wood suppliers off in the spring, and don't start
13 purchasing again until late summer.

14 Q. Do you have any concerns about Concord Power's ability
15 to procure the wood? I mean, is there enough supply
16 out there available?

17 A. Yes. Yes, there's ample supply. We've had a number of
18 fuel studies done, and there's certainly adequate
19 supply of fuel available for the amounts that we're
20 talking about.

21 Q. And, that wood supply that Concord Power would purchase
22 would be stored at the woodyard that currently is
23 leased to Concord Steam?

24 A. That is correct, yes.

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1 Q. And, is there ample space there for the wood supply?

2 A. Yes, there is. There's roughly 30 acres of space
3 there. Concord Steam presently stores up to
4 15,000 tons of wood on the site, and uses only a small
5 part of the property that's available. That site
6 should be able to store 60 or 70,000 tons very easily
7 without any problem at all.

8 Q. You indicated that there's a small portion of natural
9 gas which is included in this calculation of the Fuel
10 Charge?

11 A. Yes.

12 Q. What is that used for?

13 A. There will be certain times during the year when
14 Concord Power will need to shut down the wood-fired
15 boiler and the wood system to do maintenance and
16 general upkeep and repair. So that we expect there
17 will be a certain amount of natural gas that will have
18 to be bought and fired in the back-up boilers. In
19 order to provide an incentive to Concord Power to not
20 just simply turn on the gas boilers whenever they want,
21 we're going to be limiting the amount of gas that we're
22 willing to pay for. And, that we will pay for a set
23 amount of gas that is going to be defined on a couple
24 of scheduled shutdown periods in the spring and in the

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1 fall. And, so, we would -- Concord Steam would agree
2 to purchase a certain amount of gas at that time. If
3 Concord Power is able to stay on line more and burn
4 less gas, then that's to their benefit. If Concord
5 Power has more problems, has outages, has problems
6 securing wood, has problems securing -- keeping the
7 wood equipment running, then that's their problem, and
8 we're only paying a certain of amount of gas. That
9 just let's us -- let's Concord Steam not have to try
10 and dictate to Concord Power when they're allowed to
11 turn those gas-fired boilers on or not. It gives a
12 little more flexibility to them, and it gives us a
13 defined set, so we know just how much we're responsible
14 for and no more than that.

15 Q. And, when you referred to the "scheduled maintenance
16 periods", Section 2.3 of the Agreement has a section on
17 "Planned Outages" versus "Unplanned Outages". Are
18 those "planned outages" what you're referring to?

19 A. Yes.

20 Q. And, would Concord Steam get notice of those, of those
21 planned maintenance outages?

22 A. Yes. Yes, it would. And, there's, you know, what
23 Concord Power considers an outage is likely to be when
24 their wood-fired boiler is not operational and they're

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1 not making electricity. That doesn't necessarily mean
2 it's an outage for Concord Steam, because it's got
3 multiple boilers there. It has -- It's a single plant,
4 with multiple boilers. And, the wood boiler may go
5 down, but they'll just simply fire the gas-fired
6 boilers as necessary to provide us steam.

7 Q. Can the back-up boilers, can they run on either gas or
8 wood?

9 A. The back-up boilers are only capable of burning natural
10 gas. And, they could burn oil, if we wanted to convert
11 them to oil.

12 Q. Section 2.3.3 addresses "unplanned outages". What
13 happens if there's an unplanned outage at Concord
14 Power?

15 A. If there's an unplanned outage, the Seller notifies
16 Concord Steam as soon as possible. And, they're to do
17 everything in their power to minimize the length of
18 that outage.

19 Q. Okay. And, actually, that section says that Concord
20 Steam gets, you know, they have to be notified within
21 at least two hours of an outage?

22 A. That's correct, yes. Yes.

23 Q. And, there's a requirement that Concord Power
24 communicate with Concord Steam during that outage about

[WITNESS: Bloomfield]

1 what's happening, correct?

2 A. That's right. Yes. So, they will need time to assess
3 the situation, determine what needs to be done, and how
4 long it's likely to be down. And, Concord Steam would
5 certainly work with them to resolve whatever issues
6 might be.

7 Q. And, who bears the financial risk of those unplanned
8 outages?

9 A. Concord Power does.

10 Q. Okay. And, that's in Section 2.3.3, correct?

11 A. That's correct.

12 Q. That last sentence that says "No expenses incurred by
13 Seller for such purposes shall be included as part of
14 any adjustment to the charges to Buyer under this
15 Agreement, it being the Parties' intention that all
16 such remedial costs shall be borne solely by the
17 Seller."

18 A. Yes.

19 Q. What happens if Concord Power is not able to meet the
20 steam requirements of Concord Steam?

21 A. There are -- There's a feature -- a paragraph in here
22 that requires the Concord Power to supply steam, or, if
23 it cannot supply steam, then to pay for the cost of any
24 replacement steam.

[WITNESS: Bloomfield]

1 Q. So, if you have to fire up those back-up boilers and
2 use gas, which happens to be more expensive at the
3 time, --

4 A. That's correct, yes.

5 Q. -- will Concord Power pay the difference?

6 A. Yes, it would.

7 Q. And, what happens if Concord Steam needs -- I mean, is
8 it possible that Concord Steam could need more steam
9 than Concord Power will be capable of generating?

10 A. It is unlikely, because of the capacity available at
11 the new facility, that we'd ever -- that Concord Steam
12 would ever require more steam than what was capable.
13 But we do have quantities in there that Concord Power
14 is responsible for supplying all of the steam that we
15 need. It's also -- But there are limits in terms of
16 how much steam that they have to supply to us at the --
17 under the costs and terms of this condition. That, if
18 we, if Concord Steam, if we require more steam, where
19 our steam load increases, if we have a large steam
20 increase, and it goes above those set amounts, then
21 that incremental amount of steam Concord Power would
22 charge Concord Steam in its Fuel Charge if the cost --
23 as if that steam was generated by natural gas.

24 Q. And, is that the -- the Agreement refers to "Excess

[WITNESS: Bloomfield]

1 Steam" in Section 7.5, is that what you're referring
2 to?

3 A. Yes. Yes.

4 Q. Is Concord Steam required to give any regular notice to
5 Concord Power about how much steam it anticipates it
6 will need?

7 A. Yes. It will -- At the beginning of each service year,
8 Concord Steam will let Concord Power know how much
9 steam it needs for the year, as well as what its
10 approximate monthly requirements will be. And, if
11 those -- if there's a significant change in those, then
12 Concord Steam has to notify Concord Power as to what
13 those changes are.

14 Q. If you would look at Section 7.1, which is the pricing
15 provision of the contract. There's some language, the
16 last two sentences refer to "payments, credits, or
17 other benefits that have economic value to the Seller"
18 --

19 A. Yes.

20 Q. -- and those being "applied to reduce the price of
21 steam that's charged to the Buyer"?

22 A. That's right.

23 Q. Can you explain what this provision is intended to
24 cover?

[WITNESS: Bloomfield]

1 A. In the Renewable Portfolio Standard that the New
2 Hampshire Legislature passed, there is a provision in
3 there for Renewable Energy Credits for the provision of
4 renewable electricity, and certain payments that are
5 appropriate that those have to be covered. There's
6 also mention in there of a possible thermal Renewable
7 Energy Credit. If there is a -- If that ever comes to
8 fruition that there is, in fact, a thermal energy
9 credit, or if there is a greenhouse gas credit, or some
10 other type of attribute that is attributable to the
11 thermal portion of the product, then those revenues are
12 directly applied to the sale of Concord Steam, and it
13 goes to reduce the price of the steam that Concord
14 Steam purchases.

15 Q. Are there any changes, when we went over the Fuel
16 Charge, which is in Section 7.4, are there any changes
17 to the calculation of the Fuel Charge that need to be
18 made?

19 A. There are some wording changes and some minor changes
20 that are, just in the past 24 hours, that Staff -- the
21 Commission Staff has found and pointed out that we're
22 going to have to make some corrections to the document
23 as it now sits.

24 Q. Can you tell us what those are?

[WITNESS: Bloomfield]

1 A. There's a formula, actually, in the definitions under
2 1.20, that refers to a calculation. And, the formula
3 actually calculates Btus, but we refer to the output of
4 that formula in millions of Btus, so that there's a
5 little two decimal points there that have to be
6 adjusted. And, then, there's some wording in 7.4.1,
7 under "Determination of Steam Sales Percentage",
8 there's some reference there to "calendar year" that
9 needs to be revised to "service year". Everywhere else
10 in this contract we refer to "service year" and not
11 "calendar year". So, --

12 Q. And, what's the service year?

13 A. The service year, as defined in this document, is
14 November 1 to October 31.

15 Q. Okay. Are there other changes to that Section 7.4.1?

16 A. Yes. There's one paragraph that, in order to -- so
17 that this determination of steam sales percentages
18 agrees with the definition as it was defined in the
19 "Definition" section, there's a paragraph that needs to
20 be modified from how much, in terms of determining the
21 steam sales percentage, it's the capacity, the
22 capability of the output of the wood-fired boiler, as
23 opposed to what the actual output of the wood-fired
24 boiler was, and it just needs to be clarified.

[WITNESS: Bloomfield]

1 Q. Can you identify what, I'm looking at Page 11, --

2 A. On Page 11, where it says, under "Determination of the
3 Steam Sales Percentage", and it begins "Where", and
4 then there's H, sub B, that paragraph is going to be
5 modified to say basically everything after "produced in
6 the wood-fired boiler", that will be "period" or
7 "semicolon", and everything after that will be
8 stricken. And, added in front of the word "produced"
9 will be "capable of being". So that we're saying that
10 "the total quantity of steam, measured in MMBtu,
11 capable of being produced in the wood-fired boiler."

12 MS. KNOWLTON: Chairman, the Company
13 would like to be able to provide the Commission with,
14 after the hearing, a version of the agreement that
15 contains the changes that Mr. Bloomfield has just
16 referenced, I think so that it's clear what the final
17 agreement is that the Staff and the Company are proposing.

18 CHAIRMAN GETZ: Let's reserve "Exhibit
19 Number 3" for a revised copy of the Agreement showing what
20 the changes were relative to the filed Agreement.

21 **(Exhibit 3 reserved)**

22 MS. KNOWLTON: Would you like those
23 changes indicated in redline, so that the Commission could
24 see where we --

[WITNESS: Bloomfield]

1 CHAIRMAN GETZ: Yes.

2 MS. KNOWLTON: Okay. Thank you.

3 BY MS. KNOWLTON:

4 Q. Mr. Bloomfield, in that next paragraph, "HS", it refers
5 to an Appendix A?

6 A. That is correct. That's also --

7 Q. What is that?

8 A. That's a drawing that we have provided to Staff. It's
9 a full-size drawing, and we're going to need to provide
10 a simplified version of that as to -- and add that to
11 this, this Appendix A has not been attached and it
12 needs to be.

13 Q. And, what does that show?

14 A. It shows how and where the steam is being metered in
15 Concord Power's facility, as to where those meters are
16 located and as to what steam flows are being measured
17 for what purpose.

18 Q. If you would look at Section 8.3 of the Agreement,
19 which is the "termination" provisions.

20 A. Yes.

21 Q. You indicated that this Agreement has a term of 30
22 years.

23 A. That's correct.

24 Q. Pretty long. Would Concord Steam be able to terminate

[WITNESS: Bloomfield]

1 this Agreement under any circumstances?

2 A. Yes.

3 Q. What would those be?

4 A. Any material breach of terms, any bankruptcy, *force*
5 *majeure* type situation. And, also, this contract is
6 very much one way in the respect that it obligates
7 Concord Power to supply steam to Concord Steam, but it
8 does not obligate Concord Steam from buying steam from
9 Concord Power.

10 Q. So, the Agreement could essentially remain in place,
11 and Concord Steam can purchase steam or self-generate,
12 purchase steam through another source or self-generate,
13 but the Agreement wouldn't necessarily terminate?

14 A. That's correct.

15 Q. So, you could -- the utility could decide, if it was
16 going to self-generate for some period of time, to then
17 go back to Concord Power at some later time and say "as
18 long as you're still within the term of the Agreement,
19 we're back. We want to purchase our steam
20 requirements"?

21 A. That's correct.

22 Q. And, in this "Termination" section, there's -- I would
23 just note there's a Section 8.3.5, and this is the
24 provision that gives Concord Steam the ability to go in

[WITNESS: Bloomfield]

1 and access those back-up boilers, in the event of a
2 termination of the contract, correct?

3 A. Yes, that's right.

4 Q. But that would be if you were -- if the utility were to
5 remove them, that would be at the utility's expense,
6 correct?

7 A. Yes.

8 Q. If you look at Article 13 of the Agreement,
9 Representations, Warranties and Covenants".

10 A. Yes.

11 Q. There's a Section 13.1.4. Do you know what this
12 section is intended to cover? Do you need regulatory
13 approvals --

14 A. Yes.

15 Q. You've indicated that you have -- the utility has the
16 necessary regulatory approvals, you know, --

17 A. Yes.

18 Q. -- in order to enter into this Agreement?

19 A. That's correct.

20 Q. And, so, is it your understanding that that's, in part,
21 why we're here today, because the Company can't enter
22 into this Agreement until it has the necessary
23 approvals from the Commission?

24 A. That is correct. And, once, if we get approval from

[WITNESS: Bloomfield]

1 the Commission on this, we will execute this agreement
2 and sign it.

3 Q. And, you plan to provide the Commission with a copy of
4 this Agreement once it's executed?

5 A. Yes, we do.

6 Q. And, what is the Company's planned timing, as far as
7 execution of the Steam Purchase Agreement?

8 A. It would need to be executed before close of a
9 financing. So, sometime between Commission approval
10 and close on a financing.

11 Q. And, why does it need to be, I mean, I know that
12 there's this language in here that you have the
13 regulatory approvals, but why does the utility want to
14 get this signed before the financing is finalized?

15 A. Just to make sure that the Commission agrees that the
16 terms of this contract are prudent and that the costs
17 are recoverable through our rate case.

18 Q. And, in the Settlement Agreement, let's just look at
19 that for a minute, the Settlement Agreement, which is
20 Exhibit 1 here today, in Section 5, addresses the Steam
21 Purchase Agreement, correct?

22 A. Yes.

23 Q. And, in that I'm looking at, in Section 5(a), indicates
24 that the Staff and the Company have agreed that,

[WITNESS: Bloomfield]

1 subject, of course, to Commission approval, that the
2 Company would be entitled to recover the costs incurred
3 under the Steam Purchase Agreement through that annual
4 cost of energy proceeding, right?

5 A. Yes.

6 Q. But subject to the prudence review of the Commission?

7 A. That's right, yes.

8 Q. What happens if there is a modification to the Steam
9 Purchase Agreement after it's signed?

10 A. If there's a modification that affects costs, charges
11 that affects the steam -- price of steam, those changes
12 will be presented to the -- submitted to the Commission
13 for approval, for their review. There could be changes
14 that are -- that are not relative to cost issues that
15 might be changed that would not necessarily be
16 submitted to Commission for approval, but it would be
17 submitted to them certainly for their information.

18 Q. And, if you look at Section 5(c) of the Settlement
19 Agreement, that first -- excuse me, the second sentence
20 says "Any modifications of the Agreement are subject to
21 RSA Chapter 366." Is your understanding that that's
22 the affiliate -- utility affiliate statute?

23 A. Yes.

24 Q. And, right now, Concord Steam and Concord Power are

[WITNESS: Bloomfield]

1 affiliates, correct?

2 A. That's correct.

3 Q. And, that's because there's common ownership?

4 A. That's right.

5 Q. And, so, is it your understanding that that statute
6 that governs affiliate agreements would apply?

7 A. That's correct, yes.

8 Q. Now, you've stated that the Commission -- the Company
9 anticipates coming before the Commission, you know,
10 once the plant is up and running, the Company would
11 come before the Commission and seek recovery of the
12 steam purchase charges that it incurs under the Steam
13 Purchase Agreement through its annual cost of energy
14 charge, and that the Commission would have the right to
15 review the prudence of those charges that the Company
16 is seeking recovery of. How is Concord Steam or are
17 there sufficient protections that would allow Concord
18 Steam to provide the Staff of the Commission with
19 information that it needed to assess the prudence of
20 those charges?

21 A. Yes. There's -- Part of the conditions of the Steam
22 Purchase Agreement require Concord Power to provide --
23 open its books and records to Concord Steam for review
24 and examination as necessary.

[WITNESS: Bloomfield]

1 Q. And, are the records relating to the operation of the
2 Concord Power plant also open to Concord Steam?

3 A. Yes. Yes.

4 Q. So, if the Commission Staff comes and asks for
5 information to verify or has questions about charges
6 that are flowing through the Steam Purchase Agreement,
7 is Concord Steam going to go to Concord Power and get
8 that information?

9 A. Yes, we would.

10 Q. Concord Steam currently has about how many employees?

11 A. There's approximately 17 or 18 employees.

12 Q. Do you anticipate that they would all continue to be
13 employed by Concord Steam?

14 A. No. Concord Steam, once it enters -- once it starts
15 purchasing all of its steam and becomes more of a
16 distribution system, Concord Steam will probably have
17 four, maybe five employees.

18 Q. I believe, when the Company filed the Verified
19 Petition, it indicated that there was going to be a
20 service company that would employ the employees that
21 were necessary to run essentially the Concord Power
22 plant, and then also operate and maintain the Concord
23 Steam distribution system.

24 A. Yes.

[WITNESS: Bloomfield]

1 Q. Has that changed?

2 A. Yes. In the process of working with Staff, we decided
3 that it really didn't make sense to have a service
4 company, because the Concord Steam employees are people
5 who working in the distribution system that are not
6 working in the plant, and it -- having a service
7 company just kind of complicates issues and it's not
8 necessary. If there's a need for temporary use of
9 employees in either one direction or the other, if the
10 steam plant needs a welder or if the steam utility
11 needs some assistance, then those employees can be
12 hired as if it would be any outside contractor
13 essentially. And, because Concord Power will have its
14 own salaries and its own employees, and Concord Steam
15 will have its own employees, rather than try and
16 complicate it with a service agreement.

17 Q. And, would there be a way to track those costs?

18 A. Yes. Yes.

19 Q. How?

20 A. Similar to the way we do with any outside contractor.
21 If we need to hire a welder, welding crews to do work
22 on our steam system, we hire an outside contractor. It
23 would be the same type of thing. The hours are tracked
24 and hours are billed for.

[WITNESS: Bloomfield]

1 Q. Would those costs be charged through the Steam Purchase
2 Agreement?

3 A. No. No, they would be charged as a separate contract,
4 separate, you know, as if you were going to hire
5 somebody from Labor Ready or hire somebody from a
6 welding company.

7 Q. And, so, those would be recovered through the Company's
8 base rates?

9 A. That's correct, yes.

10 Q. So, as I understand it, then most of the employees that
11 are currently employed by Concord Steam are going to
12 become Concord Power employees at some point in time?

13 A. That's correct.

14 Q. Do you anticipate that there would be any significant
15 change to their wages or their benefit packages as a
16 result of that change?

17 A. No, we expect that the wages and benefits to be very
18 similar to what's now being offered.

19 Q. I think you have outlined sort of in general terms how
20 the transition would work from Concord Steam to Concord
21 Power. But can you talk about that in a little bit
22 more detail in terms of, you know, the assurances that
23 Concord Steam would have that Concord Power is actually
24 ready to supply steam?

[WITNESS: Bloomfield]

1 A. Concord Power will need to let us know and prove to us
2 that it's capable of providing steam on a consistent
3 and reliable basis before we actually shut this plant
4 down and go and turn entirely over to Concord Steam --
5 Concord Power's source.

6 Q. And, is there any obligation in the Steam Purchase
7 Agreement that they provide any kind of certification
8 to Concord Steam that that capability exists?

9 A. Yes. Yes, they do.

10 Q. And, will Concord Steam be verifying that?

11 A. And, Concord Steam would verify that to make sure it
12 was the case.

13 Q. You indicated that the lease -- that the Concord
14 Steam's lease expires I think you said "August of
15 2010"?

16 A. That's correct.

17 Q. But it sounds like the Concord Power plant is not going
18 to be on line at that point. What happens with your
19 lease with the State?

20 A. We have had discussions with the Staff, and they are
21 actually kind of waiting on us, actually, to sit down
22 with them for a change and talk about those terms.
23 And, once we can more closely define when the -- what
24 the dates are, as to, you know, when we would actually

[WITNESS: Bloomfield]

1 expect to leave this facility, and move the generation
2 to the new facility, we'll sit down with the State and
3 work that out. There's a whole lot of issues that we
4 need to work out with the State relative to this
5 campus. They want us to continue to supply the campus
6 with steam. In that arrangement, we'll take over
7 ownership of the distribution system on the campus to
8 continue to maintain that. And, so, there's some
9 transfer of issues of not just the lease, but there's
10 other long-term supply issues and contract issues that,
11 once we have a target date, we'll be able to sit down
12 with them and define those, those terms.

13 Q. Do you anticipate -- Do you have any concerns about
14 Concord Steam's ability to stay on the premises and use
15 it for the manufacture of steam during that time
16 period?

17 A. No. No. We've had conversations with folks in the
18 State, and they're very understanding as to what we're
19 trying to do and what needs to get done, that the last
20 thing they want to do is try and have to operate that
21 plant and try and heat the Governor's Office downtown.

22 Q. And, when you say "people of the State", which arm of
23 the State government?

24 A. The Administrative Services folks are primarily the

[WITNESS: Bloomfield]

1 ones we deal with.

2 Q. And, if the Commission were interested in being
3 apprised of the status of those discussions, would the
4 Company be amenable to notifying the Commission of
5 that?

6 A. Absolutely.

7 Q. When would the Company, you may have said this already,
8 I apologize, but when would the Company intend to file
9 for a base rate case to change its rates?

10 A. We expect to file for new base rates early in 2010,
11 probably in approximately a year from now.

12 Q. What is the projected impact on the base rates of this
13 transaction?

14 A. The base rates would drop probably just almost in half.
15 The overall rates would expect to reduce in probably
16 about 30 percent or so from what is presently being
17 charged.

18 Q. I want to shift now from the Steam Purchase Agreement
19 to the other part of the Petition, which asks that the
20 Commission approve the transfer of those utility assets
21 that are identified on Exhibit B to the Petition. Does
22 the Settlement Agreement address the transfer of those
23 assets?

24 A. Yes.

[WITNESS: Bloomfield]

1 Q. What did the Staff and the Company agree to?

2 A. That it's consistent with the public good and that it
3 should -- it should be approved.

4 Q. And, when would that \$1.5 million in cash be paid to
5 Concord Steam?

6 A. I would expect it to be paid over the period of time as
7 the equipment is being transferred, mostly probably in
8 2010 is when I would expect that to happen.

9 Q. What are the proceeds of that sale going to be used
10 for?

11 A. The million and a half dollars would be used for
12 providing equity to support the loan that Concord Steam
13 needs to get in order to pay for the back-up boilers
14 and the new steam line and the steam line improvements.

15 Q. Do you anticipate that Concord Steam would be coming to
16 the Commission seeking approval of that financing?

17 A. Yes, we would.

18 Q. Does the Settlement Agreement provide for any
19 improvements to the steam distribution system?

20 A. Yes, it does.

21 Q. Would you describe that?

22 A. We're looking at re-insulating some sections of steam
23 line that the insulation has deteriorated significantly
24 over the past 15 or 20 years. And, we'll be

[WITNESS: Bloomfield]

1 re-insulating those sections of line in place.

2 Q. And, specifically, the Company has agreed that it would
3 install about 6,800 feet of new 16-inch steam pipe?

4 A. 6,600 feet.

5 Q. 6,600?

6 A. 6,600 feet of new steam line to connect from our
7 existing distribution system to the new steam plant.

8 Q. Okay. The Settlement Agreement, in Section 7(a), says
9 "6,800". Is that a typo?

10 A. Sixty-eight could very well be right.

11 Q. Okay.

12 A. We haven't exactly designed and defined the exact route
13 and length of the pipe. So, 68 could very well be
14 right.

15 Q. And, when would that be constructed?

16 A. That would be constructed to be timed so that it would
17 be finished and ready for service at the same time that
18 the new steam plant is also ready for service. So
19 that, if the new steam plant is going to be ready for
20 operation in early winter 2011, we'd probably finish
21 that steam line up the fall of 2010.

22 Q. And, the Company has also agreed that it would
23 re-insulate some pipe in its current distribution
24 system?

[WITNESS: Bloomfield]

1 A. Yes.

2 Q. Would the Commission have the ability to review the
3 costs that the Company incurred to re-insulate the pipe
4 and to construct the connection to the Concord Power
5 plant?

6 A. Yes.

7 Q. And, when would that occur?

8 A. The re-insulation is -- would probably occur -- would
9 like to do that as soon as we can actually. It could
10 possibly happen in 2009. It would depend again on,
11 primarily, on financing.

12 Q. And, has Staff and the Company agreed with regard to
13 the prudence of those planned improvements?

14 A. Yes.

15 Q. And, the Company would be seeking recovery of those
16 costs of the improvements through the base rate case?

17 A. That's correct.

18 Q. That's all I have on the Settlement Agreement, Mr.
19 Bloomfield. Oh, actually, let me just ask you. Do you
20 believe that overall the Settlement Agreement is
21 reasonable and in the public interest?

22 A. Yes, I do.

23 Q. Are you familiar with a letter that was filed with the
24 Commission that criticizes the proposed transaction?

[WITNESS: Bloomfield]

1 A. Yes.

2 Q. Have you -- you reviewed that letter?

3 A. I have.

4 Q. Do you have any comments with regard to the points that
5 were raised by the anonymous correspondent of that
6 letter?

7 A. Yes. The letter states a number of different facts
8 that are not necessarily incorrect, but they're out of
9 context and misleading as a result. It kind of picks
10 and chooses different things. It references, for
11 instance, that we pay \$4 a million Btu for our fuel,
12 our wood fuel, and then we go ahead and charge \$27 a
13 million for that steam. And, it's true that we pay \$4,
14 \$4 a million Btu for the wood that we purchase. But
15 the wood that we purchase is raw wood chips. So that
16 we have to convert that wood to steam. There's a loss
17 of -- loss of energy in that, that's not 100 percent
18 efficient, so that that converts that dollars per
19 million Btu from roughly \$4 to \$7. Steam, as we use it
20 in our -- we need steam to make steam basically. It
21 gets used in the steam plant, so that our net cost to
22 our steam going out, that can -- increases it more, to
23 around \$8.50. Then, there's line losses and other
24 general losses, and that increases it to about \$12.

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[WITNESS: Bloomfield]

1 And, the fact that wood is only -- only a part of the
2 fuel mix that we have. We also burn roughly 30 percent
3 fossil fuel. And, the raw cost of that fossil fuel is
4 over \$18 a million Btu. You know, so that it's
5 misleading to, you know, use those two numbers.

6 There's another comment in there that
7 talks about \$700,000 in administrative costs. Well, in
8 2007, in our Annual Report, our administrative and
9 general was \$664,000. Of that, there's \$175,000 of
10 health insurance for employees. There's \$90,000 of
11 insurance costs, legal, accounting, regulatory
12 Commission expenses, transportation expenses. You
13 know, there's a lot of other things in there other
14 than, you know, and the implication is that we're
15 taking that as our salaries, and that's by no means
16 anywhere close to that. So, --

17 Q. I think -- sorry. Are you finished or --

18 A. Yes.

19 Q. I think the letter also criticizes the rates that the
20 Company has charged and expresses a point of view that,
21 over the past 20 years, the rates have been I think
22 "egregious" might have been the word that was used. Do
23 you agree with that statement?

24 A. The rates have been carefully vetted by Company and

[WITNESS: Bloomfield]

1 Staff, and they're higher than perhaps anybody would
2 like, but it's the nature of things, we'd certainly
3 like to be able to make it less expensive, but it
4 hasn't been able to be done. It's certainly not
5 egregious.

6 Q. But that's why we're here today, right?

7 A. That's right.

8 Q. To get the rates down?

9 A. That's right.

10 Q. And, the Company has participated and opened its books
11 and records to the Audit Staff of the Commission,
12 correct?

13 A. That's correct.

14 Q. And, the rates that the Company charges are rates that
15 have been approved by this Commission, correct?

16 A. Yes.

17 MS. KNOWLTON: I have nothing further
18 for Mr. Bloomfield.

19 CHAIRMAN GETZ: Thank you. Let's go off
20 the record for a minute.

21 (Brief off-the-record discussion
22 ensued.)

23 CHAIRMAN GETZ: So, let's go back on the
24 record. Okay. At this point, we'll recess for lunch, and

[WITNESS: Bloomfield]

1 then we'll pick up with cross-examination by Mr. Damon,
2 and then questions by the Bench. And, so, let's resume at
3 1:00.

4 (Whereupon the lunch recess was taken at
5 12:05 p.m. and the hearing reconvened at
6 1:07 p.m.)

7 CHAIRMAN GETZ: Okay. Good afternoon.
8 We're back on the record in docket DG 08-107. And, we
9 will resume with cross-examination as soon as we get a
10 witness. Mr. Damon.

11 MR. DAMON: Thank you. Good afternoon,
12 Mr. Bloomfield.

13 WITNESS BLOOMFIELD: Good afternoon.

14 **CROSS-EXAMINATION**

15 BY MR. DAMON:

16 Q. I wanted to ask you a few more questions about the
17 current status of the project.

18 A. Yes.

19 Q. You mentioned this morning that you or the landowner --
20 you or the landowner, I guess you are the landowner at
21 the plant site, right?

22 A. Yes.

23 Q. Okay. Are there any other owners?

24 A. It's just us. It's P&M Realty, right.

[WITNESS: Bloomfield]

1 Q. And, that's just you?

2 A. Yes.

3 Q. Okay. And, you mentioned that you have cleaned up some
4 asbestos and some hazardous waste.

5 A. That's right.

6 Q. Could you describe that in more detail?

7 A. The site is a brownfield site. It's been a railroad
8 yard actually since the 1840s and '50s. It was a --
9 It's been the primary -- It was the primary rail
10 yard/car shop area for B&M Railroad from the 1880s, to
11 around 1950. And, during that time, they built all the
12 structures there. They had -- They built and repaired
13 and maintained all of their freight cars and their
14 passenger cars, as well as their locomotives, it was
15 their primary shops. And, so, it was sold by B&M in
16 the 1950s and became a light industrial park. But, as
17 it's essentially had industrial use for 150 years or
18 thereabouts, it's considered a "brownfield". So, we
19 went through an environmental assessment of the
20 property. And, it was determined that there was
21 certain amounts of asbestos and lead paint above
22 ground, in terms of what was involved with pipe
23 insulation, shingles, siding, all that kind of stuff
24 that was there on the property. And, then, there's

[WITNESS: Bloomfield]

1 also -- there was a question as to what was below
2 ground, and whether there was water contamination or
3 soil contamination and what would happen if we started
4 to disturb that. So, we went through a complete site
5 investigation, environmental investigation, and
6 remediated all of the asbestos and above-ground
7 hazardous waste that was there. And, the below-ground
8 analysis and studies determined that there was no water
9 contamination of the site, but that there was some very
10 specific spots of some soil contamination, and that
11 there were high levels of lead and I think chromium in
12 a couple of spots. Anyway, those spots were defined
13 and mapped, and that was all kind of the process of the
14 remediation process. What has been done has been that
15 some of the buildings have been demolished and the
16 above-ground -- all the above-ground waste has been
17 removed.

18 Q. Okay. So, is that part of the construction work to be
19 done basically completed?

20 A. Yes. There's still small amounts left to be done, but,
21 yes. There's some in-ground concrete, for instance,
22 that has to be taken up and that kind of thing.

23 Q. Right.

24 A. But pretty much it's been substantially done, yes.

[WITNESS: Bloomfield]

1 Q. The environmental remediation is substantially done?

2 A. Yes, that's right.

3 Q. And, if my notes were correct, I think you testified
4 that approximately \$3 million has been invested in the
5 project already?

6 A. Yes.

7 Q. And, what does that \$3 million consist of? Presumably,
8 it includes the environmental remediation to date, but
9 what other items?

10 A. Engineering, permitting, property purchase, equipment
11 purchase, equipment evaluation, all the environmental
12 work, that type of general development work that we've
13 been working to get to date. The interconnection
14 costs, we had to do an interconnection study with the
15 utility, those kinds of costs.

16 Q. Okay. So, it's -- the \$3 million includes more than
17 just the land-related costs?

18 A. Oh, yes. Yes.

19 Q. It's the overall project cost as well?

20 A. Yes.

21 Q. Okay. Could you estimate about how much of the costs
22 would be land-related? And, by that, I'm talking about
23 the acquisition cost, permit -- land permitting costs,
24 environmental remediation costs?

[WITNESS: Bloomfield]

1 A. That will -- well, the total cost of the property is
2 going to be approaching \$3 million. There's -- The
3 \$3 million I was mentioning was actually not including
4 some additional loans and stuff that we're taking out,
5 so that actually pushes it up to \$4 million of money
6 that we've spent on this project. So, the land
7 purchase and remediation, that type of thing, is pretty
8 close to \$3 million at this point.

9 Q. Okay. And, you mentioned that you are an owner of
10 Concord Steam Corporation?

11 A. That's correct.

12 Q. And, are there any other shareholders in Concord Steam?

13 A. In Concord Steam? Yes, Mark Saltsman is.

14 Q. And, can you remind us what --

15 A. It's roughly a 80 percent/20 percent split.

16 Q. Okay. So, you control Concord Steam?

17 A. 80 percent, yes.

18 CHAIRMAN GETZ: Gentlemen, Mr. Patnaude
19 may be having a tough time. We need to have one person
20 speak at a time.

21 MR. DAMON: And, I'll slow down.

22 BY MR. DAMON:

23 Q. Now, you mentioned that I believe that you have an
24 ownership interest in Concord Power?

[WITNESS: Bloomfield]

1 A. That's correct.

2 Q. Who are the other owners, if anyone?

3 A. Mark Saltsman, at this point.

4 Q. And, what are your relative shares?

5 A. I believe it's 50/50.

6 Q. Okay.

7 A. We don't -- Like we say, we certainly don't expect that
8 to continue, as we're going to have to get outside
9 investors that expect to end up taking the lion share
10 of the Company.

11 Q. Right. And, just so the record is clear, BS & Chips
12 owns the land out at the woodyard. And, again, are you
13 and Mr. Saltsman owners of that?

14 A. That's correct.

15 Q. And, your relative ownership shares in that?

16 A. Is also 50/50.

17 Q. You mentioned that "essentially all the permits have
18 been obtained". By "essentially" what do you mean?

19 A. What hasn't been completed?

20 Q. Yes.

21 A. We have to -- We have filed for a permit, for instance,
22 that is required, because we have an industrial use of
23 water and we're discharging water to a sewer system, we
24 have to get -- we've applied for that permit, and we

[WITNESS: Bloomfield]

1 actually applied to the City, and then the City reviews
2 it and applies to the State, if necessary. There's
3 also been a Water Withdrawal -- a River Water
4 Withdrawal Permit that's been applied that hasn't been
5 achieved yet.

6 Q. Okay. What is the Water Withdrawal Permit -- why is
7 that necessary?

8 A. One of the sources of water that we're planning on
9 using for makeup water to the facility is river water
10 makeup. Presently, Concord Steam uses City water.
11 That the City does not want us to use City water at the
12 new facility, because, for a number of reasons, as much
13 of anything, that it's kind of a valuable resource that
14 they don't want to get used up in an industrial
15 process. So, we have some alternatives to City water,
16 and that's river water withdrawal, which is -- it's
17 almost a certainty that we will get. And, we're also
18 -- Concord Power is going to be investigating a couple
19 of other options as back-up supply as well.

20 Q. Okay. And, the river water, is that Merrimack River?

21 A. Yes.

22 Q. Is that a permit that you need to get from the State?

23 A. That's through the State, yes.

24 Q. And, the water-related discharge permit, is that a

[WITNESS: Bloomfield]

1 permit that you get from the State or the City?

2 A. That's actually a permit that the City gets from the
3 State. We apply to the City, and give that information
4 to the City. And, since it's actually in their
5 control, they receive the material from us, but they're
6 the ones that discharge into the river, they have to,
7 if necessary, have to modify their discharge permits.

8 MS. KNOWLTON: Mr. Bloomfield, I'd like
9 to ask you to, when Mr. Damon asks you a question, make
10 sure he has a chance to finish it before you start
11 answering, because you've gone over each other a couple of
12 times.

13 BY MR. DAMON:

14 Q. Do you expect any difficulties in obtaining these two
15 permits?

16 A. No. No, we don't. They have been well along the
17 process of having applied for, and all indications are
18 that neither of them are going to be an issue.

19 Q. This morning in your testimony you mentioned that the
20 total overall cost of the project is estimated to be
21 "\$70 million". And, I'd like to find out more
22 specifically, does that consist of the land acquisition
23 costs, in addition to the construction costs?

24 A. That does not include land acquisition costs at this

[WITNESS: Bloomfield]

1 point.

2 Q. So, that \$3 million that you mentioned is not part of
3 that?

4 A. That's correct.

5 Q. Okay. But it does include the construction and
6 engineering cost to design and construct the new plant?

7 A. Yes, that's right.

8 Q. Is the entire \$70 million Concord Power's costs or does
9 that include some of Concord Steam's costs?

10 A. That does not include any of Concord Steam's costs.

11 Q. Do you have an estimate of Concord Steam's costs that
12 would be necessary to incur in order to carry into
13 effect this plan to --

14 A. Yes. We have put some estimates together at this point
15 that are a combination, we're looking at a total
16 combination of costs that we're expecting to incur over
17 the next couple of years, that includes the purchase of
18 those back-up boilers, the installation of the
19 underground connecting steam line, and the
20 re-insulating of existing steam lines, plus associated
21 costs. And, we're estimating that to be in the
22 neighborhood of \$6 million.

23 Q. You mentioned that you expected to obtain debt
24 financing for about 80 percent of the project costs.

[WITNESS: Bloomfield]

1 So, if my math is right, and I'm using the right base,
2 the loan would then be for about \$56 million?

3 A. That's about right, yes.

4 Q. Okay. But that 56 million doesn't include the
5 financing for the land costs that are not included in
6 the \$70 million?

7 A. That's correct.

8 Q. So, if you need to have equity and an equity investment
9 of approximately 20 percent, I think that would leave a
10 balance of about \$14 million to be supplied by equity
11 investors?

12 A. That's right, yes.

13 Q. Do you have those equity investors on board?

14 A. We are -- have not completely committed to an equity
15 investor, but we are in the final negotiations. What's
16 complicated it somewhat is the new Stimulus, Federal
17 Stimulus package, and what's involved in that, and how
18 that affects the equity participation, so that final
19 contracts and agreements have not -- haven't been
20 finalized yet.

21 Q. Okay. And, who are are you negotiating with for that
22 equity investment?

23 A. It's --

24 MS. KNOWLTON: Mr. Bloomfield, before

[WITNESS: Bloomfield]

1 you answer that question, I just want to make sure that --
2 I don't know whether that information is confidential or
3 not?

4 WITNESS BLOOMFIELD: It's not public
5 knowledge at this time.

6 MS. KNOWLTON: Would we be able to mark
7 this portion of the transcript confidential?

8 MR. DAMON: Yes, that's fine with me.
9 Sure.

10 CHAIRMAN GETZ: Okay. We will treat the
11 potential equity investors' identities as confidential.

12 MS. KNOWLTON: Thank you.

13 **BY THE WITNESS:**

14 A. _____
15 _____
16 _____
17 _____
18 _____.

19 MR. DAMON: Okay. Thank you. I think
20 that's all the questions of a confidential nature that I
21 hope to ask. But, if I ask another one, I'll stop as
22 well.

23 BY MR. DAMON:

24 Q. Do you expect that equity investment to be made at or

[WITNESS: Bloomfield]

1 about the time that the debt financing is obtained?

2 A. Yes. The typical, in terms of how the bank has told us
3 that this is structured, would be that, as funds are
4 distributed for the construction, that they expect
5 equity funds to be distributed at an equal percentage.
6 So that, if there's a drawdown of \$10 million, they
7 would expect 80 percent of that to be debt and
8 20 percent of that to be equity.

9 Q. _____
10 _____
11 _____
12 _____
13 _____?

14 A. _____
15 _____

16 MR. DAMON: I'm willing to --

17 MS. KNOWLTON: Yes, if it's possible,
18 I'd like to have that portion of the transcript designated
19 "confidential" as well, because the terms of the equity
20 investment are still subject to negotiation with the
21 potential investor, and I wouldn't want that to be
22 compromised.

23 CHAIRMAN GETZ: It hardly seems like the
24 description that he gave on the record is something of a

[WITNESS: Bloomfield]

1 confidential nature that there may be a possible equity
2 infusion in exchange for participation in the Company.

3 MS. KNOWLTON: I'm not sure whether
4 Mr. Damon is going to inquire further on that.

5 MR. DAMON: Well, I had inquired into
6 how the equity investment would be made, the mechanics of
7 that. And, I don't know if that's a sensitive subject for
8 the Company or not.

9 MS. KNOWLTON: Yes. I mean, I would
10 agree that the potential ownership interest, you know, may
11 not be confidential. But, if the inquiry is going to go
12 further, I don't have any problem, you know, with Mr.
13 Bloomfield providing testimony with regard to it today, I
14 just don't want, you know, the terms that are being
15 negotiated to be public.

16 CHAIRMAN GETZ: Well, let's do this,
17 that we -- a mechanism we've used in other proceedings.
18 At the moment, there are no individuals in the hearing
19 room that are not entitled to hear confidential
20 information. So, I would ask the parties to confer after
21 the hearing is concluded and go through the transcript and
22 make a recommendation as to what items that are discussed
23 during the hearing should be accorded some level of
24 confidentiality.

{DG 08-107} [REDACTED - For Public Use] {02-25-09}

[WITNESS: Bloomfield]

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MS. KNOWLTON: Thank you.

BY MR. DAMON:

Q. _____

_____?

A. _____.

Q. _____

_____?

A. _____

_____.

Q. _____
_____?

A. _____.

Q. _____

_____?

A. _____.

Q. Now, presumably, the debt financing that Concord Power will need will be obtained, but Concord Power, obviously, will not come to the Commission for approval of that financing, is that right?

[WITNESS: Bloomfield]

1 A. That's correct.

2 Q. Okay. Can you tell us what the Concord Steam's capital
3 structure would be after the plant begins service?

4 A. I can give you a general idea. I don't know what the
5 dollars are. But our capital structure would basically
6 consist of the assets that we would have in terms of
7 underground steam pipe and the two back-up boilers that
8 we would own.

9 Q. Do you have at least an estimate of the debt-to-equity
10 ratio in your capital structure with that type of asset
11 ownership?

12 A. It would probably -- would probably end up with about a
13 20 or 30 percent equity and 60 and 70 percent or so of
14 debt as an order of magnitude. But, primarily, what's
15 going to -- the end result is, when we, as I said, the
16 cost to Concord Steam for entering into this project
17 and doing those things I mentioned, it's about
18 \$6 million. I'm looking at getting one and a half
19 million dollars in cash from the transaction and
20 borrowing the four and a half million. So, there would
21 be whatever equity we have in place now, plus that
22 million and a half dollars, with roughly the four and a
23 half million dollars of debt. So, that is --

24 Q. Okay. When you say "I expect to get about one and a

[WITNESS: Bloomfield]

1 half million dollars in cash", are you talking about
2 Concord Steam or yourself?

3 A. Concord Steam.

4 Q. Okay.

5 A. Concord Steam is getting one and a half million dollars
6 of sale of assets --

7 Q. Yes. Okay. Right.

8 A. -- from Concord Steam to Concord Power. Yes, the
9 assets are going from Concord Steam to Concord Power.

10 Q. Okay. I believe you testified this morning about your
11 expectations regarding the land arrangements at the
12 woodyard. And, correct me if I'm wrong, because I may
13 have missed -- not remembered this right, but do you
14 expect that that lease will be terminated and Concord
15 Power will acquire the ownership of the woodyard?

16 A. I expect that the lease would be terminated, and that a
17 new lease would be entered into with Concord Power.

18 Q. Do you expect the terms of that lease to be any less or
19 any more disadvantageous to Concord Steam than the
20 current lease?

21 A. I would expect the lease terms to be similar to what
22 they are. I would expect the term of the lease to be
23 longer than what it is now. And, in terms of its
24 effect on Concord Steam, Concord Steam would end up

[WITNESS: Bloomfield]

1 paying roughly its 13 to 15 percent of that lease
2 amount, along with all of the other operating and
3 maintenance expenses of the facility, Concord Steam
4 would end up paying its percentage share of that
5 amount.

6 Q. Right. I don't think you spoke at any great length
7 about the planned -- the land acquisition or lease
8 arrangements at the plant site. And, could you go over
9 what you expect for that?

10 A. As the final terms of financing and equity investment
11 has not been completed, we're not exactly certain
12 whether the project will buy the property or not. If
13 the project buys the property, it's -- obviously, then
14 Concord Power is then the owner of the property. If it
15 chooses to lease the property, then Concord Steam will
16 enter into a -- Concord Power, rather, will enter into
17 a long-term lease on that property.

18 Q. So, that's just uncertain as we speak?

19 A. That's correct, yes.

20 Q. Can you describe how, under the Steam Purchase
21 Agreement, the land-related costs at the plant site and
22 the woodyard, how would they flow through the Steam
23 Purchase Agreement?

24 A. The woodyard, under the long-term lease, would be --

[WITNESS: Bloomfield]

1 Concord Power would be -- would have that lease
2 payment, and that lease payment would be part of the
3 overall operating and maintenance expenses of the
4 facility, and that would be passed through in the steam
5 price as per the Steam Sales Agreement through the
6 steam percentage calculation.

7 Q. Okay. So, that -- would that be part of the Capacity
8 Charge or the Operation and Maintenance?

9 A. It would be part of the Operation and Maintenance
10 Charge.

11 Q. Okay.

12 A. If the -- For instance, if the property on South Main
13 Street is purchased, then that would end up being a
14 capital cost, that would end up being wrapped into the
15 debt service charge, and that would be part of the
16 capacity payment. If it's a lease arrangement, then it
17 would be part of the O&M. I mean, one way or the
18 other, the property is going to get -- the cost of the
19 property is going to get passed through to Concord
20 Steam. And, again, it would be passed through based on
21 the percentage of steam sales.

22 Q. In terms of the land costs, since you and Mr. Saltsman
23 are the owners, I mean, are you expecting to profit
24 from any of these arrangements at the expense of the

[WITNESS: Bloomfield]

1 steam utility?

2 A. We expect to be paid to cover our debt service costs on
3 that property and be paid enough to meet the covenants
4 of the bank that has loaned us the money to meet those
5 debt service requirements.

6 Q. Okay. Let me just ask a few questions about the
7 Settlement Agreement. And, in particular, I'd like to
8 ask you some questions about Section 5(c).

9 A. Yes.

10 Q. No, I take that back, 5(a), excuse me. And, I would
11 direct your attention to the last sentence there, where
12 it says "The Company shall be entitled to recover
13 through its cost of energy rate set by the Commission
14 each year payment of the capacity, operations and
15 maintenance, and fuel charges as set forth in the
16 Agreement, subject to the Commission's review of the
17 prudence of such costs." Does the Company agree that
18 "prudence" in that sense includes the question of the
19 reasonableness of the costs?

20 A. Yes, I believe it does.

21 Q. And, the Commission's review of the prudence of the
22 costs, that includes the review and approval of those
23 costs?

24 A. Yes. That the costs are prudent and that Concord Steam

[WITNESS: Bloomfield]

1 has done its appropriate review of same, and, you know,
2 done its job in maintaining, monitoring, and trying to
3 control those costs as much as possible.

4 Q. Okay. And, under the Steam Purchase Agreement, Concord
5 Power would be making fuel purchase decisions, for
6 example, who to buy wood from, at what price or length
7 of term of the contract, all those sorts of things.
8 And, under the Steam Purchase Agreement, those -- a
9 share of those fuel costs get passed onto Concord
10 Steam, right?

11 A. That's right.

12 Q. And, the question is, under the Settlement Agreement,
13 in this last sentence of 5(a), is the prudence of
14 Concord Power's fuel purchase decisions reviewable by
15 the Commission, to the extent Concord Steam seeks to
16 recover fuel purchase costs from ratepayers?

17 A. Yes, I would expect it is.

18 Q. And, if there are salaries of Concord Power personnel
19 that get passed through under the Steam Purchase
20 Agreement, would the Commission be authorized under
21 this sentence to review the prudence of those salaries
22 as well?

23 A. The Commission has authority to certainly review all of
24 Concord Steam's costs and the background of all those

[WITNESS: Bloomfield]

1 costs. The Commission, nor Concord Power, necessarily
2 -- Concord Steam, rather, neither the Commission nor
3 Concord Steam necessarily has the power to control how
4 and where Concord Power spends its money. We can
5 review it, and we can disagree with it, but Concord
6 Power is a separate entity that neither Concord Steam
7 nor the Commission has control over. We have
8 contractual arrangements with them that say "make sure
9 those costs are reasonable and that they're in Good
10 Utility Practice". But this, you know, we don't have,
11 other than that, we can say that we feel that
12 particular costs are higher than they should be and
13 that we can disagree with those and agree not to pay
14 those perhaps, but I'm just making a point that we
15 don't necessarily have control over how Concord Power
16 spends its money. We can only control how much they
17 charge us and then what we feel is prudent as to what
18 they charge us.

19 Q. If Concord Power were to suddenly jack up its salaries
20 to some inordinate amount, and then say to Concord
21 Steam "Well, under the Steam Purchase Agreement, you
22 have to pay your share of those costs", the question I
23 have is, does this -- would you agree with me that this
24 last sentence provides that the Commission can review

[WITNESS: Bloomfield]

1 the prudence of those, the salary and personnel costs,
2 to the extent Concord Steam seeks to recover those
3 costs from ratepayers?

4 A. Yes. Yes. That the Commission certainly has access to
5 all of the books and records of the Concord Power
6 through Concord Steam, and that we can review and
7 determine whether those are appropriate or not.

8 Q. Okay. So that you would agree that this provision,
9 though, does allow the Commission to have that
10 authority?

11 A. It has the authority to review the costs that Concord
12 Steam pays for, yes. Yes. I mean, there's -- there's
13 just the clarification that, you know, the Commission
14 doesn't have a direct connection with Concord Power,
15 but it does -- it can determine whether or not the fees
16 that Concord Steam is paying to Concord Steam [Power?]
17 are appropriate. And, we can look at the source of
18 those costs and those revenues and determine if those
19 expenses that Concord Power is trying to pass on,
20 whether they're prudent and within Good Utility
21 Practice or not.

22 Q. Okay. And, in addition to fuel purchase decisions and
23 decisions regarding salaries and compensation for
24 Concord Power's personnel, the construction costs that

[WITNESS: Bloomfield]

1 are incurred to develop the site, is the prudence of
2 those or is the prudence of the decisions related to
3 those construction costs reviewable by the Commission,
4 to the extent Concord Steam seeks to recover those
5 costs from ratepayers?

6 A. You're talking about the initial construction of the
7 facility?

8 Q. Yes.

9 A. Yes, I would say it's the same, under the same general
10 concept, that we can certainly, you know, review all of
11 those costs and determine whether it's appropriate or
12 not.

13 Q. Well, that the Commission has the authority to decide
14 whether those costs are going to be recovered from
15 ratepayers, --

16 A. Yes.

17 Q. -- even though the decisions related to those are made
18 by a non-regulated entity?

19 A. Yes.

20 Q. Yes. Is the prudence of land use -- or, land lease or
21 acquisition arrangements involving the property owners
22 at the plant site and the woodyard and Concord Power
23 reviewable by the Commission, to the extent Concord
24 Steam seeks to recover land-related costs from

[WITNESS: Bloomfield]

1 ratepayers?

2 A. Yes. As similar to any other expenses or costs that
3 Concord Power would incur.

4 Q. Okay. How big is the site out there?

5 A. It is roughly a 30 acre site, of which roughly 20 acres
6 is usually usable.

7 Q. Okay. And, the other 10 acres is --

8 A. Is swampland.

9 Q. Wetlands or swamp?

10 A. Yes.

11 Q. Okay. How much of the 20 acres of usable land do you
12 expect that the steam plant and the related operations
13 will take up?

14 A. The steam plant should occupy roughly half of that
15 space.

16 Q. And, if the site is developed for uses other than the
17 planned steam plant electric generation operations,
18 will the associated revenues be reflected or somehow
19 flow through the Steam Purchase Agreement in some way
20 or would the -- strike that. If the site is developed
21 for uses other than the steam plant electric generation
22 operations, would the associated revenues be reflected
23 in the costs payable by Concord Steam's ratepayers?

24 MS. KNOWLTON: Mr. Damon, can you

[WITNESS: Bloomfield]

1 clarify, when you say the "revenues", are you talking
2 about the revenues of Concord Power? Revenues that are
3 payable to Concord Power?

4 MR. DAMON: Yes.

5 BY MR. DAMON:

6 Q. Because they would -- they would either own or lease, I
7 take it, the entire site?

8 A. That's correct. That's how we foresee it, is that they
9 would own the entire site.

10 Q. Yes. I guess the situation I'm concerned about is,
11 where Concord Steam has a share of the costs of the
12 site, and we understand how that arrangement works
13 under the Steam Purchase Agreement.

14 A. Uh-huh.

15 Q. But, if there are revenues generated from a further
16 development of that site, such as, I don't know what, a
17 subdivision or a lease --

18 A. Uh-huh.

19 Q. -- or whatever, do all the benefits of that activity
20 flow only to Concord Power or do they somehow flow
21 through to the Concord Steam's ratepayers?

22 A. It's, obviously, a hypothetical, and it's a complicated
23 site to try and do anything else with. So, it's not
24 something that -- plus, whatever is developed there

[WITNESS: Bloomfield]

1 would have to be willing to have a steam plant in its
2 immediate backyard. So, there's a number of issues
3 related to that as to whether it's practical or
4 possible or not. But, if it were to happen, I guess it
5 hasn't been addressed one way or the other. If, for
6 instance, if Concord Power leases the site, and the
7 site is subdivided, then that lease would have to be
8 revisited and rewritten, and the lease terms would be
9 changed at that time. And, therefore, the change in
10 those lease terms would flow through to Concord Steam,
11 assuming that, say, half of the site is taken as
12 another -- for another operation, that the lease
13 payments would reduce at the site, and that those
14 reduced payments would then flow through to Concord
15 Steam as a reduced operation expense.

16 Q. Well, let's say a part of the site was developed for
17 uses other than the planned steam plant. There would
18 be costs associated with that, right?

19 A. Yes.

20 Q. And, would Concord Steam's ratepayers be on the hook to
21 pay any of those costs?

22 A. No, they wouldn't. It would be part of the -- part of
23 the landowner and the lessee wouldn't be paying any of
24 those expenses. The cost of subdividing the property

[WITNESS: Bloomfield]

1 or whatever might else be in there would be the cost of
2 Concord Power, that would be to the cost of the
3 landowner, who would then subdivide it and redo the
4 leases. I wouldn't expect Concord Power to be spending
5 money on the property and putting it in toward
6 operation and maintenance expenses. On the -- If it
7 were, those operation and maintenance expenses are --
8 would be reviewed by Concord Steam every year, and that
9 is certainly not any activity directly related to the
10 production of steam, and therefore it would not
11 necessarily be approved by us to pay those operation
12 and maintenance expenses. That those would be
13 disallowed by us, in terms of our review of those
14 annual expenses.

15 Q. Right. And, the Commission, as I understand it, would
16 have the review authority under that last section of
17 5(a) to review the Concord Steam's decisions on that in
18 that regard?

19 A. Yes, that's right.

20 Q. If Concord Power were to actually buy the plant site
21 land outright, and then lease or resell a portion of
22 the land that's not used for the steam plant electric
23 generation operations, would any of the benefits of
24 that be reflected in the costs payable by Concord

[WITNESS: Bloomfield]

1 Steam's ratepayers?

2 A. Probably not. It would be another business risk that
3 Concord Power is taking in purchasing the property.
4 And, just like Concord Steam doesn't have any direct
5 benefit from the sale of its electricity, other than
6 the sale of electricity is providing a bigger base and
7 an economy of scale for the provision of steam, but
8 there's no -- if the price of electricity were to
9 increase or decrease, there's no flow-through to
10 Concord Steam in either case. And, similar, I would
11 suspect that if the Company bought the property, that
12 its -- what it chose to do with that real estate, it
13 would be, you know, part of its -- part of its own
14 business decisions.

15 Q. Okay. Let me try to get at this a little different
16 way. Is there any situation you can conceive of in
17 which land costs or a situation in which costs related
18 to a portion of the site that would not be used and
19 useful for the steam plant and electric generation
20 operations be passed onto Concord Steam ratepayers?

21 A. I don't see any situation where there could be costs
22 that could be passed onto the ratepayers that could be
23 attributable to other activities at Concord Power. You
24 know, we will be reviewing their budgets and their

[WITNESS: Bloomfield]

1 expenses that gets passed through as part of the steam
2 charge. And, just as, for instance, we have to exclude
3 whatever costs they might be spending on the turbine
4 generator sets or the production of electricity or the
5 cooling system that is required for the steam turbines,
6 any of those operation and maintenance expenses are
7 excluded from what the steam company pays. And, so, we
8 would be looking through and making sure that there
9 weren't other extraneous purchases or expenses that we
10 felt were not appropriate to be passed through to the
11 ratepayers.

12 Q. As minority owners of Concord Power, what part would
13 you and Mr. Saltsman play in the management of Concord
14 Power?

15 A. Typically, we would expect that, as present
16 owner/operator/developers, that the majority owners,
17 the equity owners, would not just want, but require us
18 to be involved for the first, typically, three to five
19 years of operation. Beyond that, it's likely we still
20 would be, but there's no certainty one way or the
21 other.

22 Q. And, is that partly at the option of the new equity
23 investors?

24 A. Yes, that's correct.

[WITNESS: Bloomfield]

1 Q. And, it's, obviously, partly your choice of what you
2 want to do?

3 A. Well, that's true, too. At some point, we do want to
4 get out of the rat race and move on.

5 Q. And, to the extent you're involved in the ongoing
6 operations of Concord Power, would you expect to enter
7 into a management contract or some sort of a management
8 services contract?

9 A. Yes. Yes, it would be something along those lines,
10 that's correct.

11 Q. And, would the costs of those be or at least a portion
12 of those costs would be flowed through to Concord
13 Steam's ratepayers, right?

14 A. That's right, yes.

15 Q. And, would the reasonableness of those costs be
16 reviewable by the Commission?

17 A. Yes.

18 Q. Okay. If the Commission were to deem it necessary to
19 have its auditors speak directly with Concord Power
20 personnel or look at Concord Power's books and records,
21 regarding an issue related to the costs sought to be
22 recovered from Concord Steam's ratepayers, would
23 Concord Steam agree to authorize the auditors to be its
24 representatives, pursuant to the Steam Purchase

[WITNESS: Bloomfield]

1 Agreement provisions?

2 A. The Steam Purchase Agreement certainly allows access to
3 Concord Power's books through Concord Steam. But it
4 doesn't necessarily give us the authority to let the
5 Commission's auditors complete and free access to the
6 site itself. I suspect it's going to have to go
7 through Concord Steam with data requests and
8 information. And, in effect, the auditors will have
9 access to those, all of the data that they might
10 require, I just don't know that it would be necessarily
11 direct access, just because of control and contractual
12 issues.

13 Q. Right. And, certainly, in the normal course of
14 business, I'm sure that that would all be done that
15 way. I'm just thinking about a possible situation
16 where it might be -- the Commission might feel it
17 necessary to send its own auditors out to look at some
18 part of Concord Power's books in order to verify that
19 the costs flowing through to the ratepayers are
20 legitimate and reasonable and so on. And, I don't know
21 what that would be specifically, but it could happen,
22 and I wanted to find out what the situation there would
23 be.

24 I know Article 18 talks about the

[WITNESS: Bloomfield]

1 "Seller's agreement, to the extent requested by the
2 Buyer", in other words, the "Buyer" being Concord
3 Steam, "to make its officers and employees and books
4 and records available to the PUC for review and shall
5 cooperate with the Buyer in responding to any inquiries
6 or investigations by the PUC to which the Buyer is
7 required to respond, whether relating to this
8 agreement, the costs incurred by Buyer under this
9 Agreement or otherwise."

10 But there is another provision, and the
11 exact section sort of escapes me at the moment, I don't
12 know if somebody -- okay. Section -- There is another
13 provision regarding Buyer's representatives. And, do
14 you know where that is? Maybe it's under "Billing"?
15 Oh, yes, it is under "Billing". Sorry, 4.2. Where it
16 says "Buyer, including any of its representatives, has
17 the right, during normal business hours and upon three
18 days advance written notice to examine Seller's books
19 and records and to discuss them with Seller's officers,
20 employees, representatives and independent public
21 accountants as Buyer deems necessary." So, as I read
22 that provision, that does allow Concord Steam to name
23 the Commission's auditors, if necessary, as its
24 representatives to examine Concord Power's books.

[WITNESS: Bloomfield]

1 Would you agree that my reading is correct?

2 A. That, I mean, certainly, Article 18 is very specific to
3 that respect. And, it seems that, you know, under your
4 4.2, that you could also interpret it that way. You
5 know, I think that it's relatively clear in the
6 document that the intent is to have the records of
7 Concord Power available and accessible to Concord Steam
8 and the Public Utilities Commission.

9 Q. Okay. And, again, and this is, obviously, also a
10 hypothetical, as the last one was, but, if Concord
11 Steam were to deny the Commission's auditors from
12 gaining direct access to Concord Power's personnel or
13 books regarding a cost issue in connection with the
14 Steam Purchase Agreement, would you agree with me that
15 the Commission would be authorized to disallow costs
16 related to that issue?

17 MS. KNOWLTON: I just want to object to
18 the form of that question, because I feel like that's a
19 mischaracterization of Article 18 of the Agreement,
20 because there is no unequivocal right of the Commission
21 to, or its auditors, to stand in the shoes of the Buyer
22 and access information from Concord Power.

23 MR. DAMON: Well, I --

24 MS. KNOWLTON: Concord Steam is not

[WITNESS: Bloomfield]

1 obligated to appoint the Commission's auditors as its
2 representatives. They don't believe that that's the
3 intention of that provision, and there is no obligation
4 there.

5 MR. DAMON: Yes, I was actually speaking
6 more to 4.2 and the sentence that I just read.

7 **BY THE WITNESS:**

8 A. It seems to me that, if there's a cost that Concord
9 Steam is looking at passing through to its ratepayers,
10 that we have to satisfy all of the Staff's and
11 Commission's concerns on those costs, and show to their
12 satisfaction that those costs are prudent. And, as to
13 what we need to do to accomplish that, you know, we'll
14 do what we can, according to what controls we have
15 through this contract.

16 BY MR. DAMON:

17 Q. Well, I'm just trying to understand what the contract
18 provides for then, because it is important. I mean,
19 the Commission has continuing duties regarding the
20 regulation of Concord Steam. And, I mean, I think it
21 is important to understand what the Company's
22 understanding is of the Commission's authority or
23 limits of any authority to gain direct access, if
24 necessary, and I think it would be in an unusual

[WITNESS: Bloomfield]

1 situation certainly, under this provision?

2 MS. KNOWLTON: I just want to state an
3 objection for the record, which is that I do think that
4 question, to some extent, calls for a legal conclusion.
5 And, Mr. Bloomfield certainly is not a lawyer and can't on
6 opine as to the extent of the Commission's legal
7 authority.

8 MR. DAMON: Well, then, if Ms. Knowlton
9 would address that, as the lawyer for the Company, I would
10 certainly accept that.

11 MS. KNOWLTON: Sure, I'd be glad to.
12 And, I think that, you know, what our view is of these
13 provisions is that the Commission -- Concord Power is a
14 third party over which the Commission does not have
15 jurisdiction. And, it's no different than when PSNH goes
16 out and enters into a contract with a third party to
17 purchase generation, the Commission doesn't have
18 jurisdiction over that third party. What the Commission
19 does have jurisdiction to do is to review the costs that
20 the utility seeks to recover through its rates, whether
21 it's through its base rates or through its cost of energy
22 rates, which would be the case here. And, the onus is
23 going to be on Concord Steam to go to Concord Power to get
24 that information sufficient to address the prudence

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[WITNESS: Bloomfield]

1 questions that the Staff and the Commission have about the
2 costs that are flowing through the cost of energy charge.
3 But it is not our position that the Commission has the
4 legal authority to directly access the books and records
5 of an unregulated third party.

6 CMSR. BELOW: Well, I'm a little
7 confused. Doesn't the PUC have jurisdiction over
8 affiliates of regulated entities, to the extent of having
9 the authority to examine their books and records?

10 MS. KNOWLTON: I think that's something
11 that Mr. Damon and I at least disagree with, and maybe,
12 you know, and maybe I disagree with you as well. I don't
13 think that that -- that there is a basis for the
14 Commission to directly access the records of a holding
15 company. I think, you know, it may be the practice and in
16 some cases utilities produce that information in response
17 to audit requests. But I don't think that there's any
18 statutory basis that grants the Commission that authority.

19 CMSR. BELOW: But aren't you asking us
20 to approve for your client a contract that expressly says
21 that "to the extent requested by the Buyer", the
22 jurisdictional entity, the Seller "shall make its
23 employees, books and records available to the PUC for
24 review"?

[WITNESS: Bloomfield]

1 MS. KNOWLTON: The intention of this
2 provision is that the Staff, the Commission would come to
3 Concord Steam, you know, Concord Steam, to the extent it
4 seeks to recover these costs through the cost of energy
5 charge, the Staff would propound data requests, and Audit
6 Staff may have questions, and would propound those to
7 Concord Steam. And, it's going to be Concord Steam's
8 obligation to go to Concord Power and solicit and obtain
9 the information that it needs to respond to those
10 requests. And, the response is going to come through
11 Concord Steam. It's not going to be from Concord Power to
12 the Commission or from the Staff to Concord Power. It's
13 going to be through Concord Steam.

14 CMSR. BELOW: So, this doesn't mean what
15 it says?

16 MS. KNOWLTON: That's what -- That's
17 what the Company intends for it to mean. That is our view
18 of this, is that it's through Concord Steam. There's not
19 a direct channel from the Commission to Concord Power.
20 It's no different than any third party agreement that
21 exists, you know, when utilities, you know, purchase oil,
22 purchase gas, purchase some form of supply.

23 CMSR. BELOW: Well, it does seem to be
24 different, because those contracts don't typically have

[WITNESS: Bloomfield]

1 express language that says the third party's "books and
2 records shall be available to the PUC for review", not
3 through an intermediary, but for what it says?

4 MS. KNOWLTON: Well, it's "to the extent
5 requested by the Buyer" is the language in that article.
6 It's through Concord Steam.

7 CMSR. BELOW: Right. So, if the Buyer
8 requests the Seller to make their books and records
9 available, the original books and records, doesn't the
10 Seller have an obligation to make those original books and
11 records available to the PUC for its direct review?

12 MS. KNOWLTON: Through Concord Steam.
13 Not directly between the PUC and Concord Power, through
14 Concord Steam is what --

15 CMSR. BELOW: "To the extent requested
16 by the Buyer".

17 MS. KNOWLTON: That's right.

18 CMSR. BELOW: Doesn't that mean, "if the
19 Buyer requests, the Seller will make their books and
20 records available and their employees", that the PUC Staff
21 or Commissioners would have direct access to those books
22 and records, --

23 MS. KNOWLTON: No.

24 CMSR. BELOW: -- if the Buyer requested

[WITNESS: Bloomfield]

1 them?

2 MS. KNOWLTON: That's not what the
3 Company intends with this provision. What the Company
4 intends is that, in a cost of energy proceeding in which
5 the Company would be seeking recovery of the charges
6 through the Steam Purchase Agreement, the Staff, as it
7 does, is going to propound discovery requests. And, to
8 the extent that there's questions about, let's take the
9 O&M clause as an example, if there's -- and Mr. Damon was
10 concerned about, you know, "what if the salaries get
11 jacked up of Concord Power employees?" And, the Staff
12 comes in and asks questions and says "Did Concord" -- you
13 know, "Are those charges -- was it prudent for Concord
14 Steam to pay those charges? Were they consistent with
15 Good Utility Practice, which is the standard under the O&M
16 Charge clause?" Concord Steam is going to go to Concord
17 Power and get the information that it needs to respond to
18 those data requests to the extent that it's seeking
19 recovery of those charges through its rates.

20 MR. DAMON: Let me just weigh in a
21 little bit here, because I'm not sure if we're
22 communicating exactly on the same wavelength here. But,
23 for one thing, Concord Power and Concord Steam are today
24 affiliates. But, if Mr. Bloomfield becomes a minority

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[WITNESS: Bloomfield]

1 owner, it could be that Concord Power is no longer an
2 affiliate under RSA 366 to Concord Steam. My
3 understanding was that what Ms. Knowlton has described in
4 terms of the interpretation of Article, whatever it is,
5 Article 18, is that's how she explained it.

6 However, under Article 4.2, the Buyer
7 has -- can have its representatives "examine Seller's
8 books and records and discuss them Seller's officers,
9 employees, representatives and independent public
10 accountants as Buyer deems necessary." And, my impression
11 was that, under that provision, in an unusual case, but a
12 necessary case perhaps, a case in which Concord -- the
13 Commission Staff did not trust the reliability of the
14 information it was getting, that Concord Steam could
15 nominate, as its representative, under 4.2, the Commission
16 Staff. That's how I understood 4.2. And, on that basis,
17 I put my name on the Settlement Agreement.

18 MS. KNOWLTON: But it's discretionary,
19 it's not mandatory. So, it would be -- the onus would be
20 on Concord Steam, to the extent that it sought recovery of
21 those charges, to determine whether or not it wanted to do
22 that, and whether it felt it was appropriate to designate
23 the Audit Staff as its representative. And, if it chose
24 not to do that, then it would bear the risk of a

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[WITNESS: Bloomfield]

1 disallowance.

2 MR. DAMON: Okay. I mean, I think that
3 was where I started in the question I was trying to get an
4 answer to, and I think I just heard it.

5 MS. KNOWLTON: Okay.

6 CHAIRMAN GETZ: So, in both instances,
7 under 4.2 and Article 18, the Buyer, Concord Steam, has
8 some discretion in the first instance with respect to
9 asking or including the PUC in a review of Concord Power's
10 records, books and records. And, your position,
11 Ms. Knowlton, is that the Commission doesn't have
12 unfettered, independent authority to look at those
13 records. But, to the extent that Concord Steam doesn't
14 elect to make those records available through these
15 contractual provisions, then what the Concord Steam is
16 facing is a failure of proof --

17 MS. KNOWLTON: That's right.

18 CHAIRMAN GETZ: -- on the underlying --
19 on the underlying expenses that then couldn't be passed
20 onto ratepayers. Is that your --

21 MS. KNOWLTON: Yes, that's correct.
22 And, that was the intention and the Company's intention
23 with regard to these provisions in the agreement. And,
24 we, I mean, well, I don't want to speak out of school,

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[WITNESS: Bloomfield]

1 but, you know, we've expressed that intention, you know,
2 as we've gone through this process with the Staff, that
3 that was our interpretation of these provisions.

4 CMSR. BELOW: I'd still like to further
5 clarify Article 18. Because, consistent with what you and
6 the Chairman have just said, certainly looks like, if the
7 Buyer requests it, then the Seller shall cooperate with
8 the Buyer in responding to inquiries and investigations to
9 which the Buyer is required to respond from the PUC.

10 Which is consistent with the sort of indirect, you know,
11 the PUC, through Concord Steam, gets information about
12 books and records of Concord Power. But it seems Article
13 18 seems to go further and says "if the Buyer, in its
14 discretion, requests, then the Seller agrees that it will
15 make its officers and employees and its books and records
16 available to the PUC for review," which would be in a
17 rather direct way, "if the Buyer requests." Now, that's
18 discretion. But, if the Buyer requests, then the Seller
19 has an obligation to allow the PUC to directly examine its
20 books and records, to the extent the Buyer requests that,
21 or respond to questions directly by officers and
22 employees. Is that a reasonable understanding of this
23 Article 18?

24 MS. KNOWLTON: Yes.

[WITNESS: Bloomfield]

1 CMSR. BELOW: Okay. Thank you.

2 BY MR. DAMON:

3 Q. Okay. Perhaps it's appropriate at this point to just
4 ask a question about 5(c) briefly. And, I know this
5 morning you testified about at least part of that.
6 And, 5(c) is the provision which says that "The
7 Commission's approval of the Agreement is limited to
8 the terms of the Agreement as set forth in Exhibit A."
9 And, then, it says "Any modifications of the Agreement
10 are subject to RSA 366." And, that, as I understand
11 it, does require any modifications to be submitted to
12 the Commission for its possible review, but they have
13 to be filed with the Commission. Is that your
14 understanding?

15 A. Yes.

16 Q. But, even if Concord Power, at some point down the
17 road, is no longer an affiliate of Concord Steam under
18 366, that last sentence also might apply as well. Do
19 you agree with that?

20 A. Yes.

21 Q. So that, if there are any modifications to this
22 Agreement between Concord Power and Concord Steam, and
23 to the extent that -- that it says that "all costs
24 incurred under any modified steam purchase agreement

[WITNESS: Bloomfield]

1 for which the Company seeks ratepayer recovery will be
2 subject to prudence review by the Commission." That's
3 what it says?

4 A. Yes, that's right.

5 Q. Yes.

6 A. Yes.

7 Q. So, that still leaves the onus on Concord Steam to act
8 prudently in terms of agreeing to any modifications?

9 A. Yes.

10 Q. Okay. In terms of how an order approving this
11 Settlement Agreement would be used, clearly, the lender
12 is interested in that, and I suppose, certainly, the
13 equity investors are interested in that as well?

14 A. Yes, that's correct.

15 Q. Yes. And, during the course of this proceeding, the
16 Staff asked a number of data requests of the Company.

17 A. Yes.

18 MR. DAMON: And, I would like to
19 introduce two of them. They're on one sheet of paper.
20 And, these are Staff Data Requests 42 and 43. And, I
21 think, Ms. Knowlton, you have a copy of this, right?

22 MS. KNOWLTON: Yes.

23 BY MR. DAMON:

24 Q. Okay. Let me just show you, I took and copied them

[WITNESS: Bloomfield]

1 onto a separate page.

2 A. Yes.

3 Q. And, ask if those are the Company responses to the
4 questions asked in 42 and 43?

5 A. Yes, they are.

6 Q. And, are they true and accurate to the best of your
7 ability today as they were when originally filed with
8 the Staff?

9 A. Yes, they are.

10 MR. DAMON: I would ask that this be
11 marked for identification.

12 CHAIRMAN GETZ: Okay. We'll mark for
13 identification as "Exhibit 4" the Company's responses to
14 Staff Data Request 1-42 and 1-43.

15 (The document, as described, was
16 herewith marked as **Exhibit 4** for
17 identification.)

18 BY MR. DAMON:

19 Q. Okay. Apologize if this examination is a little bit
20 disjointed, but I'm doing the best I can. I'd like to
21 draw your attention, Mr. Bloomfield, to Article 16.
22 And, I think you spoke or you addressed at least part
23 of this section in your testimony this morning. And,
24 that relates to the UCC statement reflecting Concord

[WITNESS: Bloomfield]

1 Steam's ownership interest in the back-up boilers and
2 so on. And, there's an additional provision here as
3 well. And, would you just -- And, let me, and that's
4 that provision that follows that sentence, which is --
5 so it would be the third sentence in Article 16. And,
6 the purpose of that, as I understand it, would be to
7 allow Concord Steam, if necessary, to continue in
8 operations in the event that there would be any
9 financial problems with Concord Power. Is that your
10 understanding of that third sentence?

11 A. Yes, that's correct.

12 Q. And, the idea would be that there would be a recordable
13 property interest held by Concord Steam that would
14 allow them to continue to have access to the site and
15 to be able to continue to generate steam, right?

16 A. That's right, yes.

17 Q. And, the last sentence in that section says that "Such
18 rights shall have priority over any liens in connection
19 with financing obtained by the landowner and/or
20 Seller." And, that would be necessary to prevent a
21 foreclosure from wiping out any land rights that the
22 Buyer might have and that would be necessary to
23 continue operation. And, that refers to "liens". And,
24 if there would be a lease, let's say, as well, would

[WITNESS: Bloomfield]

1 you agree with me that the term "liens" would be broad
2 enough to include the term "leases"?

3 MS. KNOWLTON: I want to just object,
4 and Mr. Bloomfield can try to answer the question, but I
5 think that may call for a legal conclusion, about whether
6 a "lease" is encompassed with the word "lien". I mean, I
7 think my understanding is that, if there were a lease on
8 the property, that the lease could not pledge -- the
9 back-up boilers, which are owned by Concord Steam, could
10 not be pledged as security or mortgaged in any way by the
11 lessee, as I understand the Staff's concern.

12 MR. DAMON: Right.

13 MS. KNOWLTON: I think that was the --
14 what we were trying to get at was that there wouldn't be
15 any, you know, that a lessee, you know, or the owner of
16 the property would not have any entitlement whatsoever to
17 the back-up boilers.

18 MR. DAMON: Or the ability --

19 MS. KNOWLTON: Or their ability to
20 mortgage them, you know, or finance them, use them as
21 security for some kind of financing or a lease.

22 MR. DAMON: Well, the situation I was
23 concerned about would be, if there is a lease from the
24 landowner to Concord Power, and without regard to any

[WITNESS: Bloomfield]

1 mortgage held on the property, if Concord Power was to
2 suddenly be in breach of that lease, and the owner took
3 back the property, could or would Concord Steam's
4 operations be at risk, because it didn't have a superior
5 property interest to that lease?

6 MS. KNOWLTON: My understanding of the
7 legal issue is that the lease could not encumber Concord
8 Power's -- excuse me, Concord Steam's right on the back-up
9 boilers. That they're, in a sense, legally personal
10 property that can be removable from the site. And,
11 Concord Steam would have that ability, you know, to
12 physically remove those back-up boilers, and that legally
13 a lessee could not encumber those back-up boilers in any
14 way. And, part of the intention of the provision of the
15 UCC financing -- or, the UCC filing is, you know, to
16 announce to the world that the back-up boilers are owned
17 by Concord Steam. There could be a similar filing that
18 would be made with the Registry of Deeds in Merrimack
19 County that, you know, so that there would be notice to, I
20 mean, that could be another form of notice. But I think
21 that's my understanding from the legal perspective, is
22 that a lease could not take any superior position as to
23 the back-up boilers.

24 MR. DAMON: Right. I was keying more on

[WITNESS: Bloomfield]

1 -- less on the back-up boilers, which I understand would
2 be owned free and clear, but I was focusing on the risk to
3 the Company, if some superior property interest could
4 jeopardize their right to continue to operate their
5 back-up boiler.

6 MS. KNOWLTON: I see. Well, I think, if
7 you look at the prior sentence in Article 16, it says "At
8 Buyer's request, the landowner and Seller shall grant
9 Buyer a recordable interest in the property on which the
10 Seller's plant is located which will ensure that the Buyer
11 has full rights to maintain, operate, repair", you know,
12 *etcetera*, "the back-up boilers." And, then, it goes onto
13 say that "Such rights shall have priority over any liens".
14 And, I hear your question, you know, where that leaves
15 them. And, I think what's contemplated is is the form of
16 that right could be an easement or could be a license to
17 enter the property, if I'm understanding your question
18 correctly, to operate the back-up boilers. And, that any
19 subsequent lease that might occur would not be superior.
20 That's correct --

21 MR. DAMON: Yes. Any subsequent lease
22 or any prior lease as well. Just any lease. Because the
23 same problem could happen with a lease that might happen
24 with a mortgage.

[WITNESS: Bloomfield]

1 MS. KNOWLTON: Right. And, I think -- I
2 mean, my understanding is that that would not be the case.
3 And, certainly, that's not the utility's desire or
4 intention with this provision. The purpose of this
5 article is to protect the utility's right to go on the
6 property --

7 MR. DAMON: Right.

8 MS. KNOWLTON: -- and access the back-up
9 boilers as needed.

10 MR. DAMON: Right. So, that the
11 easement then or --

12 MS. KNOWLTON: Which would be recordable
13 with the Registry of Deeds, I believe would --

14 MR. DAMON: Right. Would be superior to
15 a lease, as well as a mortgage?

16 MS. KNOWLTON: That's right.

17 MR. DAMON: Yes. All right. Thank you.

18 CHAIRMAN GETZ: Please proceed.

19 BY MR. DAMON:

20 Q. Mr. Bloomfield, could you explain the rationale why
21 Concord Steam owns or is it intended to own the back-up
22 boilers under the Steam Purchase Agreement? I mean,
23 Concord Power could have owned those, too. But what
24 was the thinking behind having Concord Steam own those

[WITNESS: Bloomfield]

1 boilers?

2 A. It gives Concord Steam more flexibility. If there are
3 problems with Concord Power, if Concord Power, as
4 you've pointed out, has financial problems, goes
5 bankrupt, whatever, those boilers, as -- by being owned
6 by Concord Steam, are shielded from that risk. And,
7 that ensures that Concord Steam has a source for steam
8 for its customers.

9 Q. And, isn't another reason as well that Concord Power,
10 if it did not sell steam to Concord Steam, would not
11 install these back-up boilers?

12 A. That is correct. Those boilers are not necessary for
13 the operation of that power generation plant. And,
14 that any steam from those boilers couldn't be used to
15 generate electricity, for a number of reasons.

16 Q. Drawing your attention to Section 6(a) of the
17 Settlement Agreement, and that relates to "Transfer of
18 Utility Assets". And, you testified about that this
19 morning as well. That the purchase price that the
20 Staff has supported is \$1.5 million. But that purchase
21 price assumes that the equipment is in good order as it
22 is now, right?

23 A. That's correct, yes.

24 Q. Yes. I mean, if it gets destroyed or something like

[WITNESS: Bloomfield]

1 that, then we would have to figure out what to do in
2 that situation?

3 A. That's right, yes.

4 Q. Okay. I'd like to go over now, you know, a little more
5 detail the elements of the 30 percent savings that are
6 stated in the Petition. And, that's I think 30 percent
7 savings of customers' overall bills. And, let me just
8 run through some of the costs. Annual O&M expenses,
9 for example, and I think you testified this morning how
10 many Concord Steam employees there are now and how many
11 would be directly assigned to Concord Steam under the
12 Steam Purchase Agreement. You testified to that this
13 morning, right?

14 A. Yes, that's right.

15 Q. And, how many Concord Power employees, I think you
16 testified to that, too, how many Concord Power
17 employees there would be? Well, maybe just, after this
18 new plant gets into operation, how many employees of
19 Concord Power will there be?

20 A. Concord Power will end up with approximately 22, 23
21 employees.

22 Q. And, Concord Steam will end up with about many?

23 A. Four or five.

24 Q. Okay. And, what percentage of the Concord employees --

[WITNESS: Bloomfield]

1 Concord Power employees' costs will be charged to
2 Concord Steam?

3 A. The steam sale percentage, which is approximately
4 15 percent.

5 Q. And, Concord Steam's management costs now are about
6 what?

7 A. The management fee and supervisory personnel kind of
8 costs you mean?

9 Q. Uh-huh.

10 A. Those are, if we look at management fee, plus the top
11 supervision, is probably in the neighborhood of, oh,
12 might be \$200,000 a year.

13 Q. And, how does that compare to the expected costs under
14 the Steam Purchase Agreement?

15 A. It would be whatever the Steam Purchase Agreement
16 management costs are, and 15 percent of those, which,
17 you know, could be something different than the
18 200,000, but it's not going to be significantly
19 different.

20 Q. And, how do Concord Steam's electric costs now compare
21 with what you expect to them to be under the Steam
22 Purchase Agreement?

23 A. Concord Steam now has all of the electric costs it
24 takes to operate this facility and generate, it's also

[WITNESS: Bloomfield]

1 in steam. When it's purchasing steam, Concord Steam
2 isn't going to need to buy electricity, *per se*. There
3 will be electricity costs wrapped into the Steam
4 Purchase Agreement as part of the -- as part of the
5 steam purchase arrangement, as part of their O&M
6 expenses, as part of their fuel expenses, but Concord
7 Steam, *per se*, won't be writing a check to Unitil.

8 Q. Okay. So, do you expect the electric costs to go up or
9 down?

10 A. Okay. Concord Steam's costs of electricity through the
11 O&M, so the question is "what is Concord Steam's share
12 of that electricity portion of the facility?" We
13 expect it to go down. I mean, the true cost to Concord
14 Power is they're generating their own electricity, so
15 it's really the cost of fuel. And, you know, we're
16 paying for our portion of that, which is, like I said,
17 I think it's about one and a half percent of what the
18 amount of steam actually used in that steam turbine.
19 So, we expect the net cost to Concord Steam to reduce
20 as a result of the operation of that plant.

21 Q. Okay. In terms of fuel cost savings, can you compare
22 the annual wood costs now to Concord Steam with what
23 they would be under the Steam Purchase Agreement?

24 A. There's a number of reasons why the cost of fuel is

[WITNESS: Bloomfield]

1 going to go down. One is that, right now we have
2 70 percent of our fuel mix is wood, and roughly
3 30 percent is a fossil fuel of some sort. It's either
4 gas or oil. The new facility will be virtually
5 100 percent wood. The cost of wood to the new facility
6 we expect to reduce for some of the reasons I
7 mentioned. That it's going to be a more continuous,
8 permanent purchaser of wood supply from its contract
9 obligations. And, also, some of the expenses, such as
10 operating the woodyard, is going to be essentially the
11 same cost as it is now, but it's going to be spread
12 over, you know, a much larger base, where those same
13 costs, it's going to cost the front-end loader/operator
14 and the trucking and so on and so forth, but Concord
15 Steam is only going to pay now 15 percent of those
16 costs, instead of 100 percent of those costs. And,
17 those are kind of wrapped into the fuel cost issues.

18 Q. Uh-huh. What percentage of Concord Steam's steam
19 output is based on wood as a fuel source now?

20 A. Right now at roughly 70 percent.

21 Q. And, do you have any prediction for what it might be
22 under the Steam Purchase Agreement?

23 A. Under the Steam Purchase Agreement, it should be I'd
24 say 100 percent, but there is going to be some gas

[WITNESS: Bloomfield]

1 having to be burned during down periods in our low load
2 periods of time. So, it's certainly going to be
3 95 percent. It could be even 98 percent. But it's --
4 certainly, a significant majority of the cost will be
5 related to the cost of wood.

6 Q. Okay. Under the Steam Purchase Agreement, if natural
7 gas would be a more economical fuel source than wood
8 for Concord Steam, I take it that Concord Steam could
9 elect to burn natural gas?

10 A. Yes. Yes, we could.

11 Q. Okay. And, under Section 2.7 of the Steam Purchase
12 Agreement, and this is on the point of fuel
13 flexibility, you know, this is a long-term agreement of
14 30 to 50 years, the third sentence says "Upon Buyer's
15 request, Seller shall make any improvements to the
16 back-up boilers or shall increase the capacity of the
17 back-up boilers." And, as the Staff understands this,
18 the improvements that are referred to in that section
19 might, if appropriate and economical, include the
20 addition of an additional fuel course beyond natural
21 gas, and I think you mentioned the possibility of oil?

22 A. That's correct. Oil or what's a lot of -- more and
23 more cities and towns are doing is they're putting
24 digesters at the sewage treatment plants and creating

[WITNESS: Bloomfield]

1 methane gas, and they need to have an outlet for that.
2 So, that could be one possibility. Concord is not even
3 considering it. But I'm just saying what might happen
4 in 30 or 50 years, who knows, but that's one
5 possibility.

6 Q. So, basically, as I look at this, the Company now has
7 quite a lot of fuel flexibility, and it seems to retain
8 a lot of that under this new agreement?

9 A. Yes, that's right.

10 Q. And, does the Company expect any savings from upgrades
11 to the distribution system and the new steam plant?

12 A. Yes. We have mentioned re-insulating some significant
13 sections of lines and try and reduce our line losses.
14 That will -- That should help a lot. And, certainly,
15 the overall efficiency of the new facility is going to
16 be better as it's new. And, boiler efficiency should
17 be significantly better than what we're dealing with
18 now.

19 Q. How about improvements to safety and reliability?

20 A. It's actually not going to be significantly different.
21 I mean, and granted, it's a whole new facility, it's a
22 single plant, with multiple boilers. So that, as far
23 as Concord Steam is concerned with its supply of steam,
24 we're expecting it to have certainly no worse

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1 reliability than we have now, because our reliability
2 to date has been very good. You know, certainly, we're
3 not -- the new plant probably won't have quite as many
4 breakdowns and issues to deal with. But, in terms of
5 supply of steam, we're expecting it to be very
6 reliability. We don't expect it to be an issue.

7 Q. But the other day the Company had a small fire at its
8 plant.

9 A. Uh-huh.

10 Q. And, that kind of -- or, the cause of that would be
11 less likely to occur at a newer plant, wouldn't it?

12 A. That's true. I mean, certainly say, after the first
13 year or so of operation with the typical start-up bugs
14 and things that you get. But, yes, that was a fuel oil
15 fire, and we don't expect to have fuel out there, among
16 other things. But, yes, that kind of thing we'd hope
17 to see a reduction in.

18 Q. Okay. Yes. This is an important question, too, and I
19 want to make sure it's own the record. Under the Steam
20 Purchase Agreement, how does the Company's expectations
21 regarding load growth compare to what it has now?

22 A. With the improved steam rates, we expect to be able to
23 recover some of the lost steam sales that we've had.

24 Some of the -- Some of the buildings have converted to

[WITNESS: Bloomfield]

1 natural gas and we've lost steam customers over the
2 past few years. And, with the more attractive steam
3 rates, we expect to be able to recover some of those
4 lost customers.

5 Q. Okay. And, the effect of that is that rates for all
6 customers would tend to --

7 A. Reduce.

8 Q. Yes.

9 A. That's right. As our losses are fixed, and the larger
10 the base we have of steam sales, the lower the
11 percentage of losses is to any one customer.

12 Q. Was the expected load growth factored into the
13 30 percent savings that the Petition talks about?

14 A. Not really. The 30 percent is based on what we're
15 going to be able to sell on day one of the contract.
16 And, as the steam growth improves, we hope that that
17 improvement in pricing would actually get better.

18 Q. This morning you mentioned a couple of changes to the
19 Steam Purchase Agreement that you're going to be filing
20 in an exhibit in the nature of a record request. And,
21 I just draw your attention to one of those. And, that
22 is the -- it relates to Section 7.4.1 and 1.20.

23 A. Yes.

24 Q. And, Section 1.20 refers to a term called "maximum

[WITNESS: Bloomfield]

1 steam production capacity". And, the proposed revision
2 to Section 7.4.1 says that "the denominator in the
3 calculation is the total quantity of steam capable of
4 being produced in a wood-fired boiler." And, do those
5 -- does that wording refer to the same concept as
6 "maximum steam production capacity"?

7 A. Yes, it is. That was the intent. Because that
8 definition in 1.2 is actually defining "steam sales
9 percentage", and this is just a formula clarification
10 as to how that steam sales percentage gets calculated
11 and determined.

12 Q. And, up to now, the Company has agreed and has kept the
13 Staff and Commission informed and so on of current
14 developments in the progress of the new plant and so
15 forth. Is that a general commitment the Company would
16 be willing to continue to abide by?

17 A. Yes. Absolutely.

18 MR. DAMON: I have no further questions.

19 CHAIRMAN GETZ: Okay. Then, let's take
20 a brief recess and resume at 3:00.

21 (Whereupon a recess was taken at 2:45
22 p.m. and the hearing reconvened at 3:04
23 p.m.)

24 CHAIRMAN GETZ: Okay. We're back on the

[WITNESS: Bloomfield]

1 record. And, questions from the Bench? Commissioner
2 Below.

3 BY CMSR. BELOW:

4 Q. What's the current output rating, electrical output
5 rating of the current steam generation plant?

6 A. At maximum output, we can put out approximately
7 2,000 kilowatts, or 2 megawatts.

8 Q. And, the new plant will be about 17 megawatts?

9 A. Seventeen megawatts output, that's right.

10 Q. And, you've -- I think your earlier testimony indicated
11 about -- you're expecting about a 25 fold increase in
12 the electric generation?

13 A. That's correct.

14 Q. Why that particular size?

15 A. We started looking at what it would take, what size
16 facility it would take to supply steam needs for
17 Concord Steam, in terms of being able to supply steam
18 to our existing needs, plus any reasonable growth we
19 could expect in the next 20 or 30 years. And, so,
20 that's kind of where we started picking the size of
21 that, of that boiler and that plant, and then we kind
22 of worked from that and worked out from there. There
23 were a number of reasons why we couldn't go larger than
24 that. We needed to be within the City of Concord,

[WITNESS: Bloomfield]

1 within reach of our steam system. And, in order to do
2 much larger than that, we'd have to -- that the
3 interconnection point would be -- we'd have to do
4 something else. Right now, we're interconnecting at
5 roughly 35 kV. And, a reasonable maximum of 35 kV is
6 about 20 megawatts. So, you know, we couldn't -- we
7 couldn't put a 30-megawatt plant in, it wouldn't be
8 able to -- plus, the other issues, you know, that much
9 larger size facility in the city limits of Concord
10 would just be that much more of an issue of trying to
11 get it permitted.

12 Q. So, is it your opinion this is a fairly optimum size in
13 terms of the steam system's needs and how it will
14 potentially lower the cost of steam production?

15 A. Yes, that's correct.

16 Q. I think you kind of answered my question about why this
17 structure in Exhibit 4, but I just want to confirm that
18 this is still your belief, that you wouldn't be able or
19 very unlikely to raise the capital necessary to build
20 the project, if the investment were restricted to rate
21 of return regulation, is that --

22 A. That's right. And, it's not just that, but it's a
23 matter of finding the equity players and the equity and
24 the cash to match it as well. But, yes. You know, for

[WITNESS: Bloomfield]

1 just a steam -- just a steam sales return, we don't --
2 there's not that much revenue available there.

3 Q. Is there an active rail line proximate to the site?

4 A. Yes, it is.

5 Q. If it economically made sense, is it technically and
6 legally feasible for you to take wood chip delivery by
7 railroad car?

8 A. Yes, it is. There are some technical issues with that,
9 but it's certainly feasible.

10 Q. In Article 1, Section 1.20 of the proposed Steam
11 Purchase Agreement, maybe you could help me understand
12 the steam sales percentage, how that works a little bit
13 better. As I understand it, the steam sales percentage
14 is going to be a function of the actual metered steam
15 that's sold to Concord Steam, divided by the maximum
16 steam production capacity, allowing for sort of a
17 reasonable capacity factor for the plant, is that
18 correct?

19 A. That's right, yes.

20 Q. So, if the plant doesn't produce that much steam,
21 essentially that burden or risk is put on the
22 electricity side of the business?

23 A. That's right, yes.

24 Q. That's right. And, then, the additional adder, the

[WITNESS: Bloomfield]

1 steam sales percentage show the total amount of steam
2 used to generate station service power. I understood
3 your example sort of assuming normal, full operation,
4 which was to the effect that about 10 percent of the
5 total steams would be needed to generate station
6 service power, using the roughly 15 percent that might
7 be sold to Concord Steam, that would be about
8 1.5 percent sort of adder to that base amount. How
9 does this work? And, maybe that's in the formula in
10 Section -- in Article 7. But how does that work if the
11 -- let's just say the actual capacity factor of the
12 wood boiler is only half of what it normally would be,
13 because there was a problem, you know, you had to
14 replace the steam turbine or the generator set or
15 something or you just couldn't sell the electricity,
16 how would that formula work? Can you describe that? I
17 mean, that might be -- let's say station service power
18 stayed the same, the requirements, although they
19 logically go down if you generated less steam, but
20 let's just assume they stayed the same. Now, the steam
21 used to generate the station power would be 20 percent
22 of the total. Would that be 15 percent of that
23 20 percent total? How would that -- how does that
24 formula work?

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[WITNESS: Bloomfield]

1 A. What it looks at is it looks at the total amount of
2 power produced gross, and the total power sold, so what
3 the total net power out is. And, so, that gives us
4 what the amount of electricity used in the plant to run
5 the facility. If it takes, let's say, one and a half
6 megawatts to run that plant, then the portion of that
7 that would go to the steam would be -- it would still
8 be 15 percent of that, because it's a percentage of
9 what the capacity of the steam is. And, it's the same
10 amount of power, assuming the power doesn't come down,
11 so it's the same amount of electricity used in-house.
12 So, it would be the same -- it should be the same fuel
13 cost to do that same amount of power. As a percentage
14 of total power generated, it might be different. But
15 it's the same one and a half megawatts, whether they're
16 generating 10 megawatts or whether they're generating
17 17 megawatts.

18 Q. And, that's expressed in the formula on Page 11?

19 A. Yes.

20 Q. Okay. What do you expect the overall thermal
21 efficiency of the new plant to be, roughly?

22 A. I did look at that. And, looking at the production of
23 electricity, plus the production of thermal, I think it
24 is in the neighborhood of 30 to 40 percent efficient.

[WITNESS: Bloomfield]

1 The reason it's not higher than that is remember that
2 it's basically a district heating system that's only
3 operating in near peak for two or three months out of
4 the year, so it's --

5 Q. How does that compare to your current plant?

6 A. Current? Well, I hadn't run those numbers. But the
7 current plant, the boilers are certainly less
8 efficient, but the electricity that is generated is
9 cogenerated, and that's fairly efficient. I don't know
10 offhand. I don't have that number.

11 Q. Do you think this is -- the new plant will be more,
12 have overall more efficiency?

13 A. The new plant will definitely be more efficient, yes.

14 Q. Just out of curiosity, what will you have for a
15 condensing system? Where will your water come for
16 condensing the steam?

17 A. We're going to be using something like a cooling tower
18 on site, expect we're going to be actually using a
19 spray pond on site. That will -- It's like a large
20 fountain area, with sprays in it that will cool the
21 water and just gets recirculated on site. That
22 evaporates a fair amount of water, which is the reason
23 why we need more makeup water, and which is why we're
24 going to the river for the additional makeup water.

[WITNESS: Bloomfield]

1 Q. Okay. On Page 9 of the proposed contract, at 7.2.1.4,
2 there's reference to "capital improvements...needed to
3 meet the steam requirements of the Buyer, or will
4 improve the efficiency or economics of the plant". My
5 question is, would that language about "the efficiency
6 or economics of the plant" capture efficiencies that
7 would be perhaps primarily for the benefit of the power
8 production, such as an improvement in steam turbine
9 efficiency?

10 A. I would say, no, it wouldn't. It would not include
11 that. Because we elsewhere in the contract
12 specifically exclude anything related to power
13 production and those issues.

14 Q. So, the intent is sort of the plant as it relates to
15 the common function of producing steam for either steam
16 sales or steam generation to go into electric
17 generation?

18 A. Yes, that's right. Yes.

19 Q. In that regard, that concept of "station service
20 power", that's the total station service power, both
21 the -- is that the case? It's the electricity that's
22 used both to run the steam generation side, as well as
23 any electricity that might be consumed in the power
24 plant side of the business?

[WITNESS: Bloomfield]

1 A. That's right.

2 Q. Okay. So, that's sort of an exception to that
3 proration?

4 A. That's right. Of the power required to run the turbine
5 generator set, in terms of electrical pumps and that
6 kind of thing, there -- I can think of a couple of
7 hundred horsepower perhaps, as opposed to about 3,000
8 horsepower total connected load. It's not a
9 significant portion of the facility.

10 Q. Will there be an emergency generator or will you just
11 use system power to restart the plant if it isn't
12 generating its own power?

13 A. We will have two emergency generator sets that we will
14 be able to black start, provide our own power.

15 Q. Okay. In Section 7.3 at the end, there's a provision
16 that states "The O&M Charge will not be reconciled with
17 actual costs for past years, but rather will be
18 adjusted prospectively only." And, then, the next
19 sentence makes an exception and states that the O&M
20 initially based on estimated data, it will "be adjusted
21 and reconciled when actual data becomes available."

22 I'm trying to understand what that first sentence that
23 I read actually means. If you, after a couple of years
24 of operation, say, you project the next year's O&M at a

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[WITNESS: Bloomfield]

1 million dollars, and it actually came in at
2 \$1.2 million, you're not going to retrospectively
3 reconcile, but you will adjust prospectively. How
4 would you adjust prospectively if the next year's
5 projected costs, let's say that the past year is the
6 best indicator of the next year's performance, so
7 you're projecting next year is going to be another
8 1.2 million. Would you just project 1.2 or would you
9 take the deficiency from the prior year and put it into
10 next year's O&M Charge?

11 A. We would probably essentially use last year's, because
12 that's typically what's going to be done as a budget
13 for the upcoming year is going to be developed based on
14 some of the historic expenses, what it has been, labor
15 costs, the chemical costs, that sort of thing. And,
16 it's not necessarily going to be a -- just a carte
17 blanche that it's going to be next year what it was
18 last year. But it's going to, if costs had increased
19 that year, and all expectations are that it would stay
20 at that same level or perhaps even increase, those
21 adjustments will be made at that time.

22 Q. But there wouldn't be any reconciliation of the
23 difference for the prior year?

24 A. That's right. If there was a cost that -- the costs

[WITNESS: Bloomfield]

1 were higher than what was expected, then those costs
2 are not going to be reclaimable. Those aren't going to
3 be added to the following years.

4 Q. But, likewise, if they're estimated at a million
5 dollars or set at a million dollars, and they actually
6 are at 800,000, you might adjust for the next year to
7 800,000, but there would be no recoupment to Concord
8 Steam of that \$200,000 savings or its share of that?

9 A. That's right, yes.

10 Q. What's the rationale for that again?

11 A. It was -- It was a long time ago when we started this,
12 writing this contract, I'm trying to remember why. It
13 was a matter of trying to simplify it. We see that the
14 power contracts do not have a pass-through on the
15 Operation and Maintenance Charge. That the Operation
16 and Maintenance Charge is estimated at year one, and
17 then escalated for follow-on years. So, there's a real
18 incentive for Concord Power to keep its O&M costs to a
19 minimum. And, we felt that it's not a significant
20 portion of the costs. That, rather than trying to go
21 through all that and reconcile, that we would just do
22 it this method. It was just kind of a decision at that
23 time that this was one of the alternative ways, and we
24 chose this way.

[WITNESS: Bloomfield]

1 Q. So, the formula actually locks you into the actual
2 prior year performance with this "GDPIPD", which is an
3 inflation factor. So, you're not concerned that, say,
4 if the seller were some entity other than one that you
5 controlled, which it might be someday, that they
6 wouldn't try to manipulate this to consistently
7 overcharge you a little bit?

8 A. No. Because it's going to be -- we're going to have to
9 review it to make sure the costs of the turbine
10 generator expense, for instance, is not in there.
11 We're going to want to review it to make sure that we
12 feel that the costs are prudent and reasonable. And
13 that, even if they did have a particular charge, in one
14 year of -- it could very well have been a one-time
15 expense that wouldn't necessarily be carried forward,
16 and we'd have to, you know, use those -- that judgment
17 in terms of setting the pricing for the following year.

18 CMSR. BELOW: Okay. I think that's all.

19 CHAIRMAN GETZ: Good afternoon, Mr.

20 Bloomfield.

21 WITNESS BLOOMFIELD: Good afternoon.

22 CHAIRMAN GETZ: I have a few areas I
23 wanted to ask you about.

24 BY CHAIRMAN GETZ:

[WITNESS: Bloomfield]

1 Q. Let's get back to the lease. So, the existing lease
2 expires August, the end of August in 2010, correct?

3 A. Yes, that's right.

4 Q. And, you're expecting to go on line in February of
5 2011, is that --

6 A. Yes.

7 Q. And, there's a -- But your understanding, in your
8 dealings with the State of New Hampshire, is they're
9 inclined to extend the lease for the period of time
10 that would be needed to carry over to the new project
11 going on line, is that correct?

12 A. That's right.

13 Q. Now, I think at one point in your direct testimony, I
14 wanted to make sure I understood this, is it -- would
15 the State be inclined to renew your lease for an
16 extended period of time beyond that gap period? You
17 know, is it feasible that they would go another five,
18 ten, twenty years, has that been discussed?

19 A. It has been discussed. It's feasible. But it's the
20 conditions that they wanted to put on that required us
21 to invest a lot of money in that for an extension for
22 another long period of time.

23 Q. And, have you ever performed some kind of analysis of,
24 if -- what the rate effects on customers would be if

[WITNESS: Bloomfield]

1 you were to stay in the current facilities, looking at
2 what the lease might be, looking at what -- you also
3 testified about pollution control costs, have you done
4 any analysis of that?

5 A. Yes, we have. And, the kind of capital costs we'd have
6 to incur in this would be significant.

7 CHAIRMAN GETZ: And, is that anywhere in
8 the record in this proceeding or any of our other
9 proceedings?

10 MS. KNOWLTON: Not that I'm aware of.

11 CHAIRMAN GETZ: Can we reserve Exhibit
12 Number 5? What's the next exhibit?

13 MS. FILLION: Five.

14 CHAIRMAN GETZ: Five for that analysis.
15 I take it what that is is a rate trajectory if you were to
16 stay in the existing facilities, with some assumptions
17 about costs increasing over time?

18 WITNESS BLOOMFIELD: Yes.

19 CHAIRMAN GETZ: So, let's hold Exhibit
20 Number 5 for that.

21 **(Exhibit 5 reserved)**

22 BY CHAIRMAN GETZ:

23 Q. And, you also mentioned, I think talking about your
24 discussions with the State, something to the effect of

[WITNESS: Bloomfield]

1 "improving the distribution system on the campus". Can
2 you tell me again what those discussions were about and
3 what that might involve?

4 A. The steam distribution system on the campus now is
5 owned by the State and maintained by Concord Steam.
6 And, we have had some sections of that steam system
7 that we have had to wholesale replace because of major
8 failures. And, it's been a sore point between us as to
9 who actually should be paying for those wholesale
10 replacements, because we're only supposed to be
11 maintaining them. So, to resolve those issues, and to
12 maintain this campus as a long-term customer, we would
13 be taking over the complete control and responsibility
14 for that distribution system. So, that's kind of what
15 we're -- that's where part of those discussions go, and
16 would be, as part of the condition of the whole package
17 of us moving out, of us taking over the distribution
18 system, would be the State's commitment to staying with
19 us as a supplier of heat for their campus.

20 Q. Okay. So, it's part of a *quid pro quo* for the
21 extension of the lease, and then for exiting the
22 premises. But -- That's the way I'm interpreting it.
23 But is there any likelihood that that will have some
24 effect on the rates that will be charged to other

[WITNESS: Bloomfield]

1 Concord Steam customers? I guess my concern is either
2 -- is two-fold; whether there's a rate effect, and
3 whether it's the type of thing that needs some kind of
4 special contract?

5 A. Taking over the distribution lines is something that, I
6 mean, we're doing already now in this, so there's no --
7 we don't see any rate effect over and above what we're
8 doing now. If there was a long-term contract with the
9 State, then that would probably be a special contract
10 that would need to get Commission approval on.

11 Q. Okay. Let me ask also some questions about the back-up
12 boilers in Sections 2.5, 2.7 and 7.5, I want to make
13 sure I understand. In 2.5, you know, it says that "The
14 Buyer may in its sole and absolute discretion elect to
15 generate steam itself using its own facilities or
16 purchase steam from any other source." Now, I mean,
17 how likely is it that there's going to be some other
18 source in your estimation?

19 A. It's not particularly likely. Other than perhaps some
20 of the things we have talked about in the past,
21 St. Paul's School has indicated an interest in tying in
22 with the system over the years. They have an existing
23 steam plant out there. And, as part of the -- part of
24 the package of supplying, of supplying them with steam,

[WITNESS: Bloomfield]

1 perhaps we might take over operation of that steam
2 plant and use it as kind of another additional
3 emergency back-up, or perhaps in case we needed to
4 supply steam to -- as a separate back-up to supplying
5 steam to the Concord Hospital or -- those are the types
6 of things that have kind of crossed through our mind
7 that are not completely out of the realm of
8 possibilities.

9 Q. I'm interested in this, because, in some respects, I
10 think what your proposal amounts to is a proposal to
11 restructure the steam industry in New Hampshire. And,
12 that you're going to -- Concord Steam is going to be a
13 distribution company for steam, as you indicated I
14 think earlier in your testimony. And, effectively,
15 there's one provider, wholesale provider of steam, --

16 A. Uh-huh.

17 Q. -- and that's going to be Concord Power. It seems like
18 your only other alternative, "you" being in this case
19 Concord Steam, is to self-generate using natural gas.
20 Is that correct?

21 A. That's correct.

22 Q. And, that looks like it's purely a Concord Steam
23 election, whether it wants to use -- wants to
24 self-generate using natural gas. But, in actuality, it

[WITNESS: Bloomfield]

1 doesn't really -- there's no requirement that the
2 Seller actually use the back-up boilers, but that, if I
3 understand the way 2.5 and 7.5 work, that Concord Power
4 could provide -- continue to provide steam in
5 actuality, at the cost of natural gas? Is that a fair
6 reading of the way 2.5 and 7.5 interact?

7 A. Yes, that's right.

8 Q. So that, at any time that the cost of natural gas is
9 less than the formula price for steam that comes out of
10 Article 7, then presumably Concord Steam would make the
11 election to take the lower natural gas generated price?

12 A. That's right, yes.

13 Q. And, I guess, if it didn't, in the annual prudence
14 review, then Staff would be looking at whether there
15 were periods when the price of natural gas was less
16 than the formula price, is that correct?

17 A. Yes, that's right.

18 Q. So, I guess, in the first year, you're expecting, in
19 February of 2011, you're expecting rates to decrease by
20 about 30 percent from where they are now?

21 A. That's correct.

22 Q. What would the cost of natural gas have to be to beat
23 that price, that 30 percent reduction?

24 A. Offhand, I don't know.

[WITNESS: Bloomfield]

1 Q. Well, let's --

2 A. I'm trying to work through it. Probably cost of steam
3 from this about \$10 a million Btu. So, gas would have
4 to be probably in the neighborhood of \$8 a million Btu
5 I think.

6 CHAIRMAN GETZ: Well, why don't we just
7 reserve Exhibit Number 6, --

8 WITNESS BLOOMFIELD: Okay.

9 CHAIRMAN GETZ: -- so we can get the
10 numbers on what it would take in terms of a natural gas
11 price to --

12 WITNESS BLOOMFIELD: Yes.

13 CHAIRMAN GETZ: -- beat what would be
14 the first year's rates as proposed under the Settlement
15 Agreement.

16 **(Exhibit 6 reserved)**

17 BY CHAIRMAN GETZ:

18 Q. I think you may have also said in your -- either on
19 direct or in responding to Mr. Damon, speaking about
20 Article 7 and the way the price, the steam price may
21 go. Is it your expectation -- well, I guess what is
22 your expected rate trajectory? Do you think those
23 rates will go down under the formula? They will stay
24 steady? They will increase? You know, what's the

[WITNESS: Bloomfield]

1 primary drivers and what's your expectation about what
2 will happen, say, during the first five years to that
3 price?

4 A. During the first five years, I would expect certain
5 costs of operation to increase, the cost of wood fuel
6 is going to increase and that kind of thing. Along the
7 same lines, we're expecting our steam sales to
8 increase, and therefore are reducing our net effective
9 cost of steam. So, I am hopeful that the steam price
10 is going to stay fairly flat for the first five years.
11 I think that -- I'm hoping that the increase in steam
12 sales will offset whatever general inflation costs that
13 we have to -- might have to deal with in terms of
14 operating the facilities.

15 Q. So, your expectation in the first five years is
16 basically that the steam price would stay flat, is that
17 what you said?

18 A. That's correct, yes.

19 CHAIRMAN GETZ: Okay. I think that's
20 all the questions I have. Do you have redirect,
21 Ms. Knowlton?

22 MS. KNOWLTON: I have none.

23 CHAIRMAN GETZ: Anything further for
24 this witness?

[WITNESS: Bloomfield]

1 (No verbal response)

2 CHAIRMAN GETZ: Hearing nothing, then
3 you're excused. Thank you, Mr. Bloomfield.

4 WITNESS BLOOMFIELD: Thank you.

5 CHAIRMAN GETZ: Mr. Damon.

6 MR. DAMON: Thank you. I call Mr. Frink
7 and Mr. Wyatt.

8 (Whereupon **Stephen Frink** and **Robert**
9 **Wyatt** was duly sworn and cautioned by
10 the Court Reporter.)

11 **STEPHEN FRINK, SWORN**

12 **ROBERT WYATT, SWORN**

13 **DIRECT EXAMINATION**

14 BY MR. DAMON:

15 Q. Okay. I'd like to ask you introductory questions, one
16 after the other. And, so, would you please state your
17 names and places of employment for the record please.

18 A. (Frink) My name is Stephen Frink. I'm employed by the
19 Public Utilities Commission, located at 21 South Fruit
20 Street.

21 A. (Wyatt) My name is Robert Wyatt, also employed by the
22 Public Utilities Commission as a Utility Analyst, 21
23 South Fruit Street, Concord, New Hampshire.

24 Q. And, would you describe your involvement in this docket

[WITNESS PANEL: Frink|Wyatt]

1 please.

2 A. (Frink) I have analyzed the Capacity Reserve Charge and
3 the Sales Purchase Agreement, and filed testimony with
4 my recommendations regarding those.

5 A. (Wyatt) And, I have reviewed the transfer of certain
6 utility assets from the Concord Steam Division over to
7 Concord Power, reviewed the system enhancements, the
8 distribution system enhancements and upgrades, and also
9 certain aspects of the Steam Purchase Agreement,
10 including the O&M Charges and Fuel Charges that will be
11 allocated to Concord Steam.

12 Q. And, have both of you been involved in a number of
13 discovery requests and the technical sessions to
14 discuss the filing and negotiate the settlement that's
15 before the Commission?

16 A. (Frink) Yes.

17 A. (Wyatt) Yes.

18 Q. Let me start with you, Mr. Wyatt. You filed prefiled
19 testimony in this docket, right?

20 A. (Wyatt) Yes, I did.

21 Q. Okay. And, I'd like to show you a document, and ask
22 you if that's a true copy of your prefiled testimony?

23 A. (Wyatt) Yes, it is.

24 Q. Do you have any corrections that you wish to make to

[WITNESS PANEL: Frink|Wyatt]

1 this document?

2 A. (Wyatt) No, I do not.

3 Q. And, so, as it stands, it's the true and accurate
4 testimony to the best of your ability and belief?

5 A. (Wyatt) That's correct.

6 MR. DAMON: Okay. I'd like to offer
7 this as the next exhibit.

8 CHAIRMAN GETZ: Okay. We'll mark it for
9 identification as "Exhibit Number 7".

10 (The document, as described, was
11 herewith marked as **Exhibit 7** for
12 identification.)

13 BY MR. DAMON:

14 Q. And, could you just briefly summarize the purpose of
15 your testimony.

16 A. (Wyatt) The purpose of my testimony today is to provide
17 recommendations, Staff recommendations regarding the
18 sale and transfer of certain utility assets from
19 Concord Steam to Concord Power. Also, concerning the
20 distribution system enhancements and upgrades, and
21 certain aspects of the Steam Purchase Agreement related
22 to the O&M Charges and Fuel Charges, and how they would
23 be allocated to Concord Steam.

24 Q. Would you be more specific regarding the proposed

[WITNESS PANEL: Frink|Wyatt]

1 transfer of the utility owned assets to Concord Power?

2 A. (Wyatt) Yes. As I explained in my prefiled testimony,
3 these assets are not going to be needed under the
4 restructured company. Concord Steam's core business is
5 steam distribution to district steam customers in the
6 City of Concord, the downtown area. And, the assets in
7 question are related to power generation, boiler --
8 steam boiler plant operations, and woodyard operations,
9 all of which will be handled by the Concord Power
10 portion of the restructured company.

11 Q. And, can you be more specific about your assessment of
12 the proposed distribution system enhancements and
13 upgrades?

14 A. (Wyatt) Yes. And, there's two parts to this. One is
15 the new steam lines, the 68 or 6,600-foot extension,
16 whatever it ends up being, to tie the existing
17 distribution system into the new steam plant. This is
18 an important component. Obviously, you need to tie the
19 distribution system in. It's going to be a new modern,
20 more efficient steam plant. And, the other portion of
21 this is going to be to correct some problematic steam
22 mains in the City of Concord. Approximately 25 percent
23 of Concord Steam's existing mains were put in back in
24 the early '80s, and there's been problems with the

[WITNESS PANEL: Frink|Wyatt]

1 insulation in these steam pipes. For some reason, the
2 insulation has just not held up, it's deteriorated, and
3 it's contributed to line loss in these sections. And,
4 the Company expects to address these problems and
5 reduce line losses, thus reducing costs to -- cost of
6 energy to the steam customers.

7 Q. How significant a problem has line loss been?

8 A. (Wyatt) Line loss has been a fairly significant
9 problem. It's a little bit different between gas and
10 the steam industry, but they do have a significant
11 steam loss. They have to keep their system energized
12 in the summer, when steam loads are low. That
13 contributes greatly to the steam loss. I think it's in
14 the neighborhood of 30 percent.

15 Q. And, in your opinion, are the provisions in the Steam
16 Purchase Agreement regarding the proposed O&M and Fuel
17 Charges that Concord Steam will be paying under the
18 revised agreement reasonable?

19 A. (Wyatt) Yes, I do. Under the new agreement -- well,
20 actually, under the current setup, Concord Steam pays
21 all of the O&M and fuel charges, and they pass those
22 customers on -- those costs onto their customers.
23 Under the new agreement, they're going to be picking up
24 initially about 13.4 percent of the costs. Those costs

[WITNESS PANEL: Frink|Wyatt]

1 will certainly change a little bit, because of the
2 bigger boiler operations. But, still we expect, the
3 Company is even on record saying they expect the costs
4 to be reduced by about 30 percent. Same thing with the
5 -- while the O&M, the fuel costs, the boiler plant is
6 going to be a base load plant now. And, it's running
7 at a higher load factor. It's going to be a lot more
8 efficient, and, more efficient, lower cost.

9 Q. Commissioner Below asked a couple of questions about
10 the reconcil -- or, the O&M Charge, and the fact that
11 those are not annually reconcilable, but the Fuel
12 Charges are annually reconcilable?

13 A. (Wyatt) Yes, they are.

14 Q. And, how do you support the difference in treatment?

15 A. (Wyatt) Staff, I think, does an effective job of
16 reviewing reconciled costs. And, with regard to the
17 O&M costs not being reconciled, Commissioner Below did
18 bring up one point that I'm glad he did bring up, and
19 that was, in the initial year, there is no historical
20 data to set the O&M cost. So, that initial year will,
21 in fact, be reconciled, to give Staff more of a sanity
22 check, and also so that we can set the bar for the
23 second year. And, beyond that, we're going to monitor
24 it as best we can. And, if we feel this charge is

[WITNESS PANEL: Frink|Wyatt]

1 fluctuating greater than what we expected, we may come
2 in with different recommendations down the road.

3 A. (Frink) If I could add, the fuel costs, the energy
4 costs themselves are much more variable than O&M costs.
5 So, I wouldn't expect extreme fluctuations in the O&M
6 costs. So, the need for a reconciled item for that
7 piece of the charge is -- there's less of a need for
8 that than there is for the energy costs.

9 Q. Thank you. Just one last question. You heard
10 Mr. Bloomfield testify at length this morning and
11 earlier this afternoon regarding a number of topics
12 related to the filing. Do you have anything to add to
13 that or do you want to respond to anything that he
14 said?

15 A. (Wyatt) I thought Mr. Bloomfield did an effective job
16 of clarifying the issues and points. I have nothing
17 further to add.

18 Q. Mr. Frink, let me ask you a few questions as well. You
19 filed prefiled testimony in this docket, right?

20 A. (Frink) Yes, I did.

21 Q. Okay. Let me show you a document and ask you if that's
22 a copy of your prefiled testimony?

23 A. (Frink) Yes, it is.

24 Q. And, does it include not only prefiled testimony, but a

[WITNESS PANEL: Frink|Wyatt]

1 separately stapled Steam Purchase Agreement, which was
2 an attachment to your testimony?

3 A. (Frink) It does.

4 MR. DAMON: All right. I'd like to
5 offer that as the next numbered exhibit.

6 CHAIRMAN GETZ: Mr. Frink's testimony
7 and attachments will be marked for identification as
8 "Exhibit Number 8".

9 (The document, as described, was
10 herewith marked as **Exhibit 8** for
11 identification.)

12 BY MR. DAMON:

13 Q. Do you wish to make any changes or corrections to your
14 testimony today?

15 A. (Frink) I do not.

16 Q. And, is your testimony, as included in Exhibit 8, true
17 and accurate to the best of your knowledge and belief?

18 A. (Frink) Yes, it is.

19 Q. And, what is the purpose of your testimony?

20 A. (Frink) Well, again, I focused primarily on the Steam
21 Purchase Agreement and the Capacity Charge within that.

22 Q. And, specifically, what was your testimony regarding
23 the proposed Steam Purchase Agreement?

24 A. (Frink) My testimony recommended conditional approval

[WITNESS PANEL: Frink|Wyatt]

1 of it. The conditions being that the final
2 determination of the Capacity Charge would be based on
3 actual costs, rather than estimated costs that were
4 included in the initial SPA. And, also, that the O&M
5 Charges shouldn't be subject to fluctuations in the
6 electric generation. So, it was my belief that the
7 maximum capacity of the plant is what should be used to
8 determine the charge, the O&M charges to the utility.

9 Q. Does the Settlement Agreement and the revised Steam
10 Purchase Agreement address your concerns?

11 A. (Frink) It does address those two conditions.

12 Q. So, that's your recommendation in your prefiled
13 testimony, is that still your recommendation?

14 A. (Frink) That the SPA should be approved without
15 conditions. If I may add on that? One major part of
16 that testimony regarded the -- related to the
17 reasonable and justness of the Capacity Charge. And,
18 the way I did that is I, even though it was going to be
19 a 30 percent decrease in rates, that doesn't mean it's
20 necessarily a just rate. So, what I did is I compared
21 the Capacity Charge that they were proposing or
22 anticipating under the SPA with what the -- what rates
23 would be if they had built the plant specifically to
24 meet the utility's needs. And, using traditional

[WITNESS PANEL: Frink|Wyatt]

1 ratemaking, I calculated the revenue requirement under
2 that, using that methodology, and it came in very
3 close. I would like to add that my analysis was fairly
4 simple, that it was conservative. That the assumption,
5 such as I didn't include O&M and fuel costs, assuming
6 it would be the same under both if they built a plant
7 or if they entered this agreement. When, in fact,
8 under the Agreement, with the much larger plant as we
9 heard today, there will be economies of scale savings
10 that you wouldn't necessarily realize if they built a
11 steam plant just to serve the utility's purposes.

12 So, taking a fairly conservative
13 approach, the Capacity Charge, what customers will be
14 paying under this Capacity Charge will be very -- is
15 just, compared to what they would be paying if Concord
16 Steam had gone out and built their own plant.

17 Q. Yes. And, your view of that, though, does that depend
18 on the estimates of the construction costs and so on
19 being accurate?

20 A. (Frink) Well, absolutely, we'll be looking at the
21 costs. Again, you don't know what the costs would be
22 if they were to remain at the present site. And, from
23 what we've been told, there would be a substantial
24 increase in costs if they remain at the existing site.



[WITNESS PANEL: Frink|Wyatt]

1 And, so, without that comparison, I believe that's the
2 reserved exhibit, Exhibit 6, that will tell us what the
3 impact would be. So, yes, to the extent that the
4 actual costs result in a charge something higher than
5 what it would have been if they stayed at the current
6 site, then that would be a concern.

7 Q. How might the Commission treat plant costs for Concord
8 Power, when Concord Steam seeks to recover a portion of
9 those?

10 A. (Frink) I would expect the Commission to deal with it
11 in a method similar to what they did when the woodyard
12 lease was approved. And, what we did with the woodyard
13 lease is Concord Steam, while the principals of Concord
14 Steam purchased the property and developed the
15 woodyard, that property contained more than just the
16 needs of the utility. There was a house on it that
17 they leased out, some property that wasn't going to be
18 used for utility purposes. It was a triple net lease
19 that was approved, but the Commission said -- ruled
20 that, well, the settlement was that they wouldn't get
21 to recover those costs related to the part of the
22 property not to be used by the utility.

23 Another component of that lease was that
24 any additional revenues generated from the use of the

[WITNESS PANEL: Frink|Wyatt]

1 woodyard land, which the Concord Steam ratepayers were
2 paying for, would be used as an offset to the fuel
3 costs in the cost of energy. So, looking at the cost
4 of the land for this Concord Power, there's 20 usable
5 acres. The plant's going to use ten acres of it.
6 There could be some allowance for the part that
7 wouldn't be used and useful for the utility service.
8 So, that would be how I'd propose to analyze and review
9 any of those costs, and make a recommendation to the
10 Commission.

11 MR. DAMON: I have no further questions.

12 CHAIRMAN GETZ: Ms. Knowlton?

13 MS. KNOWLTON: I have a few questions
14 for Mr. Wyatt.

15 **CROSS-EXAMINATION**

16 BY MS. KNOWLTON:

17 Q. Mr. Wyatt, are you familiar with the language in
18 Section 7.3 of the Steam Purchase Agreement that
19 provides that the O&M costs that are incurred have to
20 be in accordance with Good Utility Practices?

21 A. (Wyatt) Yes.

22 Q. Do you believe that that's an important check on those
23 costs?

24 A. (Wyatt) Yes, I do.

[WITNESS PANEL: Frink|Wyatt]

1 MS. KNOWLTON: Thank you. No further
2 questions.

3 BY CMSR. BELOW:

4 Q. Earlier we heard some places where the Exhibit A to the
5 Settlement Agreement still needs revision. And, I'm
6 wondering if, in Section 7.3, I'm not sure I heard it
7 said, but, about eight or nine lines down, it says that
8 the -- that annual cost "will be multiplied by the
9 steam sales percentage and divided by the projected
10 annual steam sales in MMBtu to establish the average
11 O&M cost for all steam sold to Buyer." Should that be,
12 instead of "projected annual steam sales", the
13 "capacity", "steam capacity"?

14 A. (Frink) That should be "maximum capacity", yes.

15 Q. "Maximum capacity", okay. So, it's your understanding
16 it's the intent of the Settlement to revise that as
17 part of the revised filed exhibit?

18 A. (Frink) That's my understanding, yes.

19 Q. Okay.

20 CHAIRMAN GETZ: And, Ms. Knowlton, is
21 that your understanding as well?

22 MS. KNOWLTON: Mr. Bloomfield is telling
23 me it's not.

24 WITNESS FRINK: Actually, I'm looking

[WITNESS PANEL: Frink|Wyatt]

1 now at 7.3, and it applies to the O&M Charge. The whole
2 point in charge -- in using the maximum capacity for the
3 denominator in calculating the allocation of O&M Charges
4 is to avoid fluctuations in the O&M charges due to
5 electric generation. And, it seems to me it would be a
6 mistake, that that would subject the utility to the risk
7 that they might not produce to the expected capacity or
8 maximum capacity.

9 WITNESS WYATT: I believe Mr. Bloomfield
10 did say that, even in cases where the electricity
11 generation was lower, the O&M cost would not increase all
12 that dramatically to the Steam Division. I could be -- I
13 thought I recalled him testifying to that on the stand. I
14 could be corrected.

15 CHAIRMAN GETZ: Do the parties need a
16 minute on this issue?

17 MS. KNOWLTON: I believe we do.

18 MR. DAMON: Yes, we do.

19 CHAIRMAN GETZ: Well, are there other --
20 let's, before we do that, do you have any other questions,
21 Commissioner Below?

22 CMSR. BELOW: Yes.

23 BY CMSR. BELOW:

24 Q. Mr. Frink, in your original testimony, Exhibit 8, at

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[WITNESS PANEL: Frink|Wyatt]

1 Page 11, there's a question at the bottom of the page
2 "Will the capacity charge be adjusted to reflect the
3 reasonable and prudent actual costs when the new plant
4 is put into service?" And, the answer was "The
5 Agreement contains no provision to that effect but
6 should be revised to do so." Has the Agreement been
7 revised to do so, as part of the Settlement?

8 A. (Frink) Yes. The parties agreed that they would use
9 actual costs, rather than projected costs. And, I'll
10 look at that revision. That should be in 7.1, 7.2 --
11 yes. If you look at the -- in my -- filed with my
12 testimony is a copy of the 7.2.1.1 has 4.9 million as a
13 projected debt service payment. And, in the SPA filed
14 with the Settlement Agreement, that number has been
15 pulled out. And, what we have done is we have used a
16 different definition, we've better defined the debt
17 service payment, which I believe now specifically
18 states it will be actual costs. But I'll find that
19 definition.

20 MS. KNOWLTON: Section 1.13.

21 **BY THE WITNESS:**

22 A. Right. "1.13 Debt Service Payment" is "The amount of
23 actual debt incurred for and allocated to the capital
24 costs required to construct the power plant". So,

[WITNESS PANEL: Frink|Wyatt]

1 there will be actual capital costs, versus the 4.9 that
2 was estimated originally.

3 BY CMSR. BELOW:

4 Q. And, I guess I'd like to call your attention to Page 9
5 of your testimony, Lines 14 through 19, as we break for
6 the parties to confer about this question of O&M costs.
7 Just you had expressed the concern that the "sales
8 percentage used to determine the O&M charge should be
9 revised to use Concord Power's steam capacity rather
10 than the steam production." And, then, it says "If
11 that were done, Concord Steam's share of the O&M costs
12 would change with Concord Steam usage and would be
13 uninfluenced by fluctuations in Concord Power's steam
14 production." And, I presume that, setting aside this
15 ambiguity, is it correct that you felt that the
16 Settlement implemented this recommendation?

17 A. (Frink) Yes. Absolutely.

18 Q. But is there perhaps some question in terms of the way
19 7.3 is worded, whether, in fact, Concord Steam's share
20 of O&M costs would perhaps be influenced by fluctuation
21 in Concord Power steam production?

22 A. (Frink) It appears that that may be the case.

23 CMSR. BELOW: Okay.

24 CHAIRMAN GETZ: Well, let's take a five

[WITNESS PANEL: Frink|Wyatt]

1 minute recess. And, we'll either hear more from Mr. Frink
2 on the response to that question or handle it through
3 redirect.

4 (Whereupon a recess was taken at 4:03
5 p.m. and the hearing reconvened at 4:06
6 p.m.)

7 CHAIRMAN GETZ: Okay. We're back on the
8 record. And, Mr. Damon, Ms. Knowlton, Mr. Frink,
9 something more on --

10 MS. KNOWLTON: Somebody.

11 CHAIRMAN GETZ: -- on how we should
12 interpret Section 7.3 of the Settlement?

13 WITNESS FRINK: The Company and Staff
14 both agree that the O&M will be based -- the total O&M
15 charges to be recovered from the utility will be based on
16 an allocation that uses the steam used by the utility,
17 divided by the maximum capacity. This 7.3 was supposed to
18 break it down to a per unit cost that would then be
19 recovered by charging the utility. And, I think the
20 Company and Staff are in agreement that that needs to be
21 cleaned up so it's clearer. But that, when we file -- the
22 Company files the revised SPA, that will be one of those
23 corrections. That the intent is consistent with what I
24 put in my testimony what the Company has agreed to, and

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[WITNESS PANEL: Frink|Wyatt]

1 this wording will be adjusted accordingly.

2 CHAIRMAN GETZ: Okay. Thank you.

3 Though, in terms of, Ms. Knowlton, I guess we had reserved
4 an exhibit, we probably should have basically the revised
5 agreement and track change.

6 MS. KNOWLTON: Yes.

7 CHAIRMAN GETZ: And, then, I guess an
8 executed copy with the changes accepted.

9 MS. KNOWLTON: The Company didn't intend
10 to execute the Agreement until it had an order from the
11 Commission. I'm assuming that if the Commission were to
12 approve the proposed Agreement, the Company would execute
13 it upon receipt of the order, and then file the executed
14 Agreement with the Commission.

15 CHAIRMAN GETZ: As a compliance matter,
16 okay.

17 MS. KNOWLTON: Yes.

18 CHAIRMAN GETZ: That's fine. So, strike
19 the second part of that.

20 MS. KNOWLTON: Okay.

21 CHAIRMAN GETZ: Any redirect?

22 MS. KNOWLTON: None.

23 MR. DAMON: Just one last question.

24 **REDIRECT EXAMINATION**

[WITNESS PANEL: Frink|Wyatt]

1 BY MR. DAMON:

2 Q. You talked about the actual debt incurred in regard to
3 the definition of "debt service payment". And, as you
4 understand it, it is the actual prudent debt service
5 costs that get recovered from Concord Steam's
6 ratepayers?

7 A. (Frink) Absolutely.

8 MR. DAMON: Yes. Thank you.

9 CHAIRMAN GETZ: Appearing there's
10 nothing further for these witnesses, you're excused.
11 Thank you, gentlemen. Is there any objection to striking
12 the identifications and admitting the exhibits into
13 evidence?

14 (No verbal response)

15 CHAIRMAN GETZ: Hearing no objection,
16 they will be admitted into evidence. Is there anything
17 else we need to address before opportunity for closings?

18 (No verbal response)

19 CHAIRMAN GETZ: Hearing nothing, then,
20 Mr. Damon.

21 MR. DAMON: Thank you. Staff has worked
22 very hard on this docket to understand the filing and all
23 the many issues that it raises. It has engaged in
24 significant amount of discovery and has engaged in

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1 numerous technical conferences and telephone conferences
2 as well to, again, further understand the filing and to
3 negotiate the Settlement that is before you today. And,
4 based on the evidence and the provisions of the Settlement
5 Agreement, Staff fully supports the Settlement Agreement,
6 which includes, as part of its provisions, the draft Steam
7 Purchase Agreement, which will be revised in certain
8 respects following today.

9 CHAIRMAN GETZ: Thank you.

10 Ms. Knowlton.

11 MS. KNOWLTON: Thank you. Concord Steam
12 is before the Commission today to present a Settlement
13 Agreement on a very innovative project that it believes
14 will be beneficial to the Company's customers. I want to
15 thank the Staff of the Commission for its very close and
16 careful review of the entire transaction. I think, as
17 we've seen today, the Staff has raised a lot of very
18 important issues that have resulted in changes to the
19 Steam Purchase Agreement.

20 As Mr. Bloomfield testified, the Company
21 will no longer be in the business of generating steam, and
22 will be essentially a distribution utility once the plant
23 is built by Concord Power. The new plant is going to
24 generate steam for the Company's purchase and electricity

1 for sale in the wholesale market. As Mr. Bloomfield
2 testified, it will create a much broader base across which
3 to spread costs, which will ultimately result in lower
4 rates for the Company's customers.

5 Mr. Bloomfield and the Staff witnesses
6 have presented extensive testimony on the terms and
7 conditions of the Steam Purchase Agreement, for which both
8 the Company and the Staff are seeking approval. As
9 provided in the Settlement Agreement, the Company and the
10 Staff believe that the Steam Purchase Agreement, as
11 proposed, is in the public interest, and would ask that
12 the Commission approve it in its entirety. Of course, in
13 the revised form that we're going to be submitting after
14 the hearing.

15 The Steam Purchase Agreement has
16 adequate safeguards in it to protect the public interest
17 and, in particular, the utility's customers. These
18 include the ability of the Commission to review the
19 prudence of Concord Steam's conduct under the Steam
20 Purchase Agreement and costs that flow through to
21 customers, and ultimately may be included in rates. There
22 are also provisions in the Steam Purchase Agreement that
23 transfer certain risks to the electric side of Concord
24 Power's business, which I believe are favorable to the

1 utility and its customers. And, there also is the ability
2 of the utility retaining the right to cogenerate
3 electricity and possibly purchase from other steam
4 providers, in the event that that possibility materializes
5 and it would be prudent for the utility to do that.

6 The Company would ask the Commission to
7 approve the Settlement Agreement in its entirety as filed.
8 That also includes provisions that would allow for the
9 transfer of certain utility assets that are currently used
10 for the cogeneration of electricity. The Company believes
11 that that transfer is in the public good and in accordance
12 with the terms of RSA 374:30.

13 The Company is very committed to keeping
14 the Commission apprised of the status of the development
15 of the cogeneration plant as it goes forward. And,
16 assuming that the Commission were to approve the
17 Settlement Agreement, to the transfer, you know, from
18 being just a -- a distribution/generation utility to just
19 a distribution utility.

20 I'd like to thank the Commission for all
21 its time today in hearing testimony and considering the
22 exhibits that are before it.

23 CHAIRMAN GETZ: All right. Then, thank
24 you very much. And, we'll close the hearing and take the

1 matter under advisement.

2 (Whereupon the hearing ended at 4:13

3 p.m.)

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