

STATE OF NEW HAMPSHIRE

BEFORE THE

PUBLIC UTILITIES COMMISSION

**Re: Concord Steam Corporation
Petition for Approval of Amendment to Special Contract
with the Concord Family YMCA**

DG 10-_____

**DIRECT PRE-FILED TESTIMONY
OF**

PETER BLOOMFIELD

April 27, 2010

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

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

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

5 A. I am President of Concord Steam Corporation (“Concord Steam” or the
6 “Company”). I have been employed by Concord Steam since 1986. I received a
7 BSME degree in 1976 from Union College.

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

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

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

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

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

18 A. For at least the past 25 years, Concord Steam has been providing retail steam
19 service to the YMCA. The YMCA is a non-profit organization providing services
20 to the public in Concord, New Hampshire. The YMCA represents a significant
21 amount of the steam load of Concord Steam, particularly in the summer months
22 when Concord Steam’s load is significantly lower than during the heating season.
23 The YMCA has experienced, and is continuing to experience, financial
24 difficulties which have made it difficult for the YMCA to meet its financial

1 obligations to Concord Steam as currently set forth in the Special Contract dated
2 February 15, 2007 between Concord Steam and the YMCA (the “Special
3 Contract”). The YMCA’s annual steam usage has exceeded the Set Annual
4 Usage of 4,080 Mlbs/year as set forth in the Special Contract by more than 10%
5 in 2009, when the YMCA’s usage was 5,341 Mlbs that year. As a result, the
6 Special Contract required us to renegotiate the Set Annual Usage subject to PUC
7 approval.

8 **Q. Were you able to reach any agreement with the YMCA regarding the**
9 **renegotiation of the Special Contract?**

10 A. Yes. . As part of the renegotiation process, we determined, along with the
11 YMCA, that the Special Contract should be modified in a couple of different
12 ways.

13 **Q. Please describe the material changes in terms of the contract between**
14 **Concord Steam and the YMCA.**

15 A. A copy of the Special Contract and the Amendment between Concord Steam and
16 the YMCA are attached to my testimony as MS-1. Pursuant to this Amendment,
17 instead of a preset annual usage that is fixed into the contract and requires
18 renegotiation if the actual usage fluctuates by more than 10%, the parties found it
19 in their mutual best interests to agree to meet, in advance, on a yearly basis to set
20 an estimated annual usage target (the “Usage Estimate”) for the upcoming
21 contract year (i.e., October 1 through September 30). This process would provide
22 for a more efficient form of contract administration. The Amendment provides
23 for a true-up mechanism, in which any over payment or under payment would be
24 refunded or paid, as the case may be, within thirty days of the end of the contract

1 year. The Usage Estimate will be subject to quarterly review to minimize any
2 recovery payments. Lastly, in order to accommodate the deteriorating financial
3 condition of the YMCA and retain its steam purchases, the Company agreed to
4 provide the YMCA an \$18,000 per year discount as an offsetting contribution by
5 Concord Steam to the YMCA. This would be deducted from the Monthly Rate on
6 an equal basis (i.e., \$1,500 per month). Otherwise, the Monthly Rate terms
7 remain the same as in the Special Contract.

8 **Q. Is this Amendment in the public interest?**

9 A. Yes. It is in the interest of all of the Company's customers to retain the load
10 associated with the YMCA; the YMCA represents approximately 15% of the
11 Company's summer load and about 3.5% of the Company's annual load. By
12 retaining this load and the revenues associated with it, Concord Steam is able to
13 keep rates down for all of its customers and eliminate the risk associated with
14 losing the YMCA load over the next six years. While there is some revenue loss
15 associated with providing service at this lower rate, that revenue loss is less than
16 the revenue loss to the Company's customers in the event that the YMCA load
17 was lost altogether. At the lowest tier rate, 5,341 Mlbs/yr creates an annual
18 revenue of \$72,000. Further, the monthly rate under the Special Contract, as
19 proposed to be modified by the Amendment, is not less than the Company's
20 marginal cost to provide service to the YMCA. An estimate of the Company's
21 marginal cost is attached as Exhibit 1, which is an exhibit from the Company's
22 2009 base rate case. Thus, there will not be any undue subsidy by the Company's
23 current customers of the YMCA.

24 **Q. Are there other reasons that would support a finding that this Amendment to**

1 **the Special Contract is just and consistent with the public interest?**

2 A. Yes. The YMCA, as a non-profit organization, provides services to the public in
3 the Concord area. It is in the public interest to maintain the steam service to the
4 YMCA so that residents of Concord have access to use of the YMCA facilities.
5 Given the financial pressures on the YMCA, it is critical that steam service be as
6 affordable as possible so that the YMCA can meet its obligations to its
7 constituents. Because retaining the load associated with the YMCA also benefits
8 all of Concord Steam’s customers, the Company believes that a deviation from
9 the terms of the Company’s tariff is not only warranted but in the public interest.

10 **Q. What happens if the YMCA defaults under the contract?**

11 A. Pursuant to Section 5 of the contract, the YMCA would pay Concord Steam an
12 early termination payment equal to the Company’s lowest tier base rate times the
13 “set annual usage,” divided by 12, with the total then multiplied by the remaining
14 months of the contract. The termination payment would then be based on the
15 Usage Estimate for the contract year in which the YMCA requested termination
16 of the contract, if at all. This provision creates an incentive for the YMCA to
17 remain in good standing and to avoid any disconnection of its steam service.

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

19 A. Yes.

Concord Steam
DG 09 -139

Schedule 1
Attachment 4

Incremental operating cost of steam sold

Test year ending December 31, 2008

	Annual cost based on sale of 144,000 Mlbs	Incremental cost to Produce Additional 50,000 Mlbs	Cost per Mlb
Water and Sewer	\$ 170,586	\$ 34,117	\$ 0.68
Boiler chemicals	\$ 36,129	\$ 7,226	\$ 0.14
Electricity	\$ 94,391	\$ 9,439	\$ 0.19
Air Permit fees	\$ 37,199	\$ 7,440	\$ 0.15
Total	\$ 338,305	\$ 58,222	\$ 1.16

