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STATE OF NEW HAMPSHIRE

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BEFORE THE

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NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

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RE: CONCORD STEAM CORPORATION

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DG 12 - 242

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PREFILED DIRECT TESTIMONY

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OF

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PETER BLOOMFIELD, P.E.

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IN SUPPORT OF TEMPORARY RATES

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September 5, 2012

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Q: Please state your name and address.

A: My name is Peter G. Bloomfield. My business address is P.O. Box 2520, Concord, New Hampshire 03302.

Q: How are you associated with Concord Steam Corporation?

A: I am President of Concord Steam Corporation (the "Company").

Q: Please describe your education and professional background.

A: I graduated from Union College in 1976 with a BS in Mechanical Engineering. I am a registered Professional Engineer in NH, NY, and Colorado. I have been employed as an engineer in the steam and power industry since college. I became president of the Company in the fall of 1986.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to provide support for the Company's request for an increase in its temporary rates in this case. I have presented documents and other information in support of the Company's permanent rate request, and explained the development of the revenue requirement and the calculation of proposed rates in that filing.

Q: Please describe the Company and its customers.

A: Concord Steam provides district steam service from its facility at Pleasant Street in Concord, New Hampshire, and is the only steam utility in New Hampshire. It has 102 customers, all of which are located in the City of Concord. The Company has one residential customer, the remainder are all commercial or institutional customers.

Q: When did the Company last change its usage rates?

A: The Company's last usage rate case was in 2009 (DG 09-139); the rates established in that proceeding became effective June 1, 2010, pursuant to Order No. 25,100. There have been no changes in the Company's usage rates since then.

Q: Why is the Company filing this rate case?

A: The Company is filing this rate case because it has not earned a reasonable rate of return during the test year ending December 31, 2011. Instead, the Company

1 earned approximately a negative 6% rate of return for the test year based on
2 weather normalized revenues.

3 Q. What has caused the Company to under earn?

4 A. The general effects of inflation on the Company's operation and maintenance
5 costs and a decrease in the volume of steam sold, even after allowing for weather
6 normalization of revenues, are the major causes of the Company's inability to
7 earn a reasonable rate of return. The Company's test year operating expenses
8 and revenues are summarized in Schedule 1 accompanying the Company's
9 permanent rate filing.

10 Q. Why is the Company seeking temporary rates?

11 A. The Company has requested temporary rates because it is substantially under-
12 earning relative to its last allowed rate of return and is continuing to incur
13 increased operating costs. Unless the Company has an opportunity to recover
14 these increased costs during the upcoming heating season, its earnings will erode
15 even further. Moreover, because the Company's actual earned return is
16 currently negative, it is critical that the Company obtain temporary rate relief in a
17 timely fashion.

18 Q. What is the temporary rate increase that the Company is requesting?

19 A. The Company is requesting that the Commission set temporary rates at 20.6%
20 above the currently approved rates.

21 Q. How does this compare to the permanent rates the Company is seeking in this
22 case?

23 A. The Company has requested a 20.6% increase in its permanent rates, and has
24 requested the same increase in temporary rates.

25 Q: Why can't the Company wait until permanent rates are set and reconcile the
26 increase through a surcharge on customers' bills?

27 A: The Company sells steam as a source of heat. As a result, the significant majority
28 of the steam it sells is sold during the winter months. While the Company does
29 sell steam during the summer, it has significantly fewer customers in the summer
30 months. If the Company is not granted temporary rates, it will continue to

1 substantially under-earn relative to its last allowed rate of return through the
2 upcoming heating season. The Company also believes that implementing as
3 much of the requested permanent rate relief as possible on a temporary rate basis
4 during the Company's heating season will mitigate the impact of any
5 reconciliation surcharge that may be implemented when permanent rates take
6 effect.

7 Q. Is the Company seeking to apply the temporary rates on a proportionate basis to
8 all customers?

9 A. Yes. The Company seeks to implement temporary rates proportionately across
10 all customer classes.

11 Q. When is the Company requesting that temporary rates be effective?

12 A. The Company has requested that the temporary rates take effect November 1,
13 2012 on a service rendered basis.

14 Q. Is the Company requesting a change in the structure of its usage rate and cost of
15 energy charges?

16 A. Yes. There are certain ongoing expenses attributable to the direct cost of
17 generating steam that are commodity-related and therefore more appropriately
18 recovered in the cost of energy charge. These expenses include City water and
19 sewer charges, the cost of boiler water treatment chemicals, ash disposal, and
20 State air permit fees. These costs have been identified on lines 21 - 25 of Schedule
21 1, Attachment 1 of the Company's filing for the Commission's reference.

22 Q. Why are these expenses more appropriately recovered through the Company's
23 cost of energy charge?

24 A. All of these expenses are directly related to the amount of steam that the
25 Company produces, and therefore they rise and fall as the amount of steam sold
26 by the Company rises and falls. Including them in the cost of energy will send a
27 better pricing signal to customers because these costs are connected with their
28 usage of steam, not the provision of delivery service. In addition, when the
29 Company eventually changes over to purchasing steam from Concord Power
30 and Steam, LLC under the steam purchase agreement that has been conditionally

1 approved by the Commission, these costs will no longer be incurred at all by the
2 Company, but rather will be subsumed in the price paid for steam under that
3 agreement.

4 Q. What is the total amount of these specific expenses in the test year?

5 A. The total amount of these expenses included in usage rates in the 2011 test year
6 was \$312,984. The Company plans to seek recovery of these expenses in its 2012
7 cost of energy filing. We are requesting that the temporary rates and the new
8 COE rate be effective on the same date to ensure that the Company neither over-
9 recovers nor under-recovers these costs during the transition.

10 Q: Does this conclude your direct testimony?

11 A: Yes, it does.