

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DG 14-233

CONCORD STEAM CORPORATION

2014-2015 Cost of Energy Adjustment

Order Approving Cost of Energy Rate

ORDER NO. 25,728

October 28, 2014

APPEARANCES: Peter Bloomfield and Mark Saltsman for Concord Steam Corporation, *pro se*; and Alexander F. Speidel, Esq., for the Staff of the Public Utilities Commission.

In this order, the Commission approves Concord Steam Corporation's 2014-2015 cost of energy rate of \$25.10 per Mlb. The new cost of energy rate will cause a customer's bill to be approximately 9 percent higher for the coming year compared to the twelve months ending October 31, 2014.

I. PROCEDURAL HISTORY

On September 12, 2014, Concord Steam Corporation (Concord Steam), a public utility providing steam to mostly commercial and institutional customers in Concord, filed its annual cost of energy (COE) rate adjustment for the period November 1, 2014, through October 31, 2015. The filing included the testimony of Concord Steam's President, Peter G. Bloomfield. *See* Hearing Exhibit 1. During its review of this matter, Commission Staff (Staff) propounded discovery on Concord Steam, pursuant to RSA 374:4. For its response to Staff Data Request 1-16, on October 2, 2014, Concord Steam filed, a motion for confidential treatment, pursuant to RSA 91-A:5, IV and N.H. Code Admin. Rules Puc 203.08, seeking to protect certain confidential

business information. The motion also included a request for waiver of the Commission's redaction requirements in Puc 201.04(b) and (c). There were no intervenors, and the hearing was held as scheduled on October 8, 2014. At the Commission's request, Concord Steam prepared an updated redaction of its response to Staff Data Request 1-16, which was filed by Staff on Concord Steam's behalf on October 24, 2014. In its filing, Concord Steam renewed the original motion for confidential treatment and waiver request.

II. POSITIONS OF THE PARTIES AND STAFF

A. Concord Steam

Concord Steam, through the written testimony of Mr. Bloomfield, and the oral testimony of Mr. Bloomfield and Mark Saltsman, Concord Steam's Vice President, addressed: (1) Concord Steam's proposed COE rate and the resulting bill impacts; (2) its fuel purchase strategy; (3) the sales forecast and unaccounted-for steam; (4) its co-generation operations; and (5) developments relating to its physical plant, and its position regarding quarterly operations reports to be made to the Commission.

1. Proposed COE Rate and Bill Impacts

Concord Steam's filing requests a COE rate for the coming year of \$25.10 per 1,000 pounds (Mlb.) of metered steam. This proposed COE rate represents an increase of \$3.27 per Mlb. over the current COE rate of \$21.83 per Mlb., which dates from a March 2014 upward adjustment of \$1.00 from the rate approved in Order No. 25,589 (October 30, 2013). At hearing, Mr. Bloomfield testified that Concord Steam, after examination by Commission Audit Staff, had established that the audited and revised under-collection for the 2013-2014 COE year would be approximately \$54,000, as compared with the under-collection of approximately \$25,000

initially estimated by Mr. Bloomfield in his written testimony. *See* Transcript of October 8, 2014, Public Hearing (Tr.) at 8-9; Exhibit 1 (Bloomfield Testimony) at 3. That under-collection, for which Concord Steam seeks recovery within this year's COE rate, together with anticipated fuel costs, results in the increase in the COE rate sought by Concord Steam. The COE rate is subject to a "collar" that permits Concord Steam, without further Commission action, to adjust the COE rate on a monthly basis upward or downward by up to 20 percent as necessary to minimize the over/under collection balance. *See, e.g., Concord Steam Corp., Order No. 23,822* (November 1, 2001). If approved, the total bill impact would be an increase of approximately 9 percent.

2. Fuel Purchase Strategy

Mr. Bloomfield testified that during this upcoming winter, about 80 percent of the steam will be generated by burning wood and the remaining 20 percent will come from burning natural gas. Bloomfield Testimony at 5; Tr. at 9. Mr. Bloomfield also testified that the natural gas portion of Concord Steam's fuel mix represents approximately 50 percent of Concord Steam's fuel cost, and that 90 percent of its natural gas supply for the upcoming COE year has been "locked in" for price, with 100 percent of peak winter month supply acquired at a fixed price. Tr. at 9-10. For its wood supply, Concord Steam has entered into contracts that will result in a delivered wood price of approximately \$28 per ton, the same price as last winter. Bloomfield Testimony at 5. Of this \$28 per ton, about \$1 is for the cost of the wood, \$14 is for labor and chipping, and \$13 is for transportation. *Id.* The costs for storing and moving the wood from storage to the boiler brings the total cost to approximately \$35 per ton. Concord Steam pre-purchased about 25 percent of its wood, which is stored at its offsite yard for use during the

heating season. Bloomfield Testimony at 5-7. Mr. Bloomfield testified that a ton of wood produces approximately the same energy as a barrel of oil and, at the current level for oil and gas futures, that wood is an economic choice compared to natural gas. *Id.* at 5. He estimated that burning wood for fuel saves customers over \$300,000 annually, at current commodity cost levels. *Id.* Mr. Bloomfield testified that there have been no significant changes to the operations of the wood yard, and that Concord Steam continues to use the yard to efficiently manage its wood resources. *Id.* at 5-6.

Finally, Concord Steam included in its COE rate the costs for, ash disposal, air permit fees, sewer and water costs, and boiler water treatment chemicals. Bloomfield Testimony at 6. The Commission allowed inclusion of these production costs in the COE rate by Order No. 25,499 (April 25, 2013) in Concord Steam's last rate case.

3. Sales Forecast and Unaccounted-for Steam

To forecast this winter's steam sales, Mr. Bloomfield testified that Concord Steam weather-normalized the actual steam sales from last year using a 30-year degree day average. Bloomfield Testimony at 3-4, 7. He also stated that there has been no change in Concord Steam's customer base during the past year. Bloomfield Testimony at 8.

According to Mr. Bloomfield, Concord Steam has continued to use thermal imaging to document the conditions of its lines and to locate and repair steam leaks. Bloomfield Testimony at 8. Concord Steam also re-insulated 4 manholes during the past year with a promising new insulation product. *Id.* At hearing, Mr. Bloomfield testified that annual steam losses were on the order of magnitude of 92 million pounds per year, with Concord Steam having a goal of reducing

these losses to 70 million pounds per year through ongoing surveillance and repair efforts. Tr. at 21-26.

4. Cogeneration Operations

Concord Steam reported that its cogeneration operations, selling excess electricity and avoiding the purchase of power, resulted in net savings to Concord Steam, and thus to customers, of about \$245,000 over the past year. Bloomfield Testimony at 9; Hearing Exhibit 1 at Schedules CB-1 through CB-5.

5. Physical Plant Status; Quarterly Reporting to Commission

In his written testimony, Mr. Bloomfield noted that Concord Steam's plans for a new plant, which have been discussed in recent COE proceedings, have been revised to focus on a repowering of the existing Concord Steam plant on Pleasant Street. Bloomfield Testimony at 9. Mr. Bloomfield mentioned that environmental permitting and electrical interconnection study efforts were underway. *Id.* In response to questions from the Commission at hearing, Mr. Bloomfield elaborated on the matter of environmental permitting, explaining that a new air permit would be important for the repowering of the existing facility. Tr. at 27. Mr. Bloomfield also explained that discussions with banks and financing entities were ongoing, and that successful permitting efforts would be important for the commitment of financing entities to the project of repowering the plant. *Id.*

In response to Staff questioning, Mr. Bloomfield testified that Concord Steam would be open to filing quarterly updates on the status of the new plant proposal, air permitting, and the lease agreement for the Pleasant Street plant with the State of New Hampshire, along with other changes in current operations and future business plans. Tr. at 15.

6. Motion for Confidential Treatment and Waiver Request

In its motion for confidential treatment filed on October 2, 2014, Concord Steam stated that release of the information contained in its response to Staff Data Request 1-16 could result in competitive harms to the Company because customers, employees, and competitors, could react negatively to the future business plans and contingency protocol information contained in the response. Concord Steam also noted that the information in question was not disclosed publicly. Concord Steam also sought a waiver of the redaction requirements of Puc 201.04(b) and (c) for its response to Staff Data Request 1-16. The request was pared back to a request for a partial waiver as part of its re-submission, on October 24, 2014.

B. Staff

In its closing, Staff supported approval of Concord Steam's 2014-2015 COE rates. Tr. at 60. Staff noted that the Commission Audit Staff had reviewed the 2013-2014 COE reconciliation, and that the under-recovery used by Concord Steam was not materially different from the audited and revised under-collection stated in the Final Audit Report prepared by the Commission Audit Staff. Staff also recommended that, pursuant to RSA 374:4, Concord Steam be required to file a quarterly status report regarding Concord Steam's business plans and status updates.

Staff supported Concord Steam's motion and waiver request, which was mentioned by Concord Steam in its October 2, 2014, motion and reiterated in the redacted Staff Data Request 1-16 response filing of October 24, 2014. Staff supported the Commission's decision to request a redaction of Concord Steam's response to Staff Data Request 1-16, *see* Tr. at 4-5. Staff stated in its submission letter that, because Concord Steam's redactions were substantially compliant

with the terms of Puc 201.04(b) and (c), granting Concord Steam's waiver request would be in the public interest and would not disrupt the orderly and efficient resolution of matters before the Commission. *See* Letter of Alexander F. Speidel, Esq., to Executive Director Debra A. Howland, dated October 24, 2014.

III. COMMISSION ANALYSIS

Based on our review of the record, we approve Concord Steam's proposed COE rate of \$25.10 per Mlb. as being just, reasonable, and lawful as required by RSA 378:7. Pursuant to the settlement agreement we approved in Order No. 25,499, Concord Steam's base rate proceeding, Concord Steam properly incorporated steam production costs into the COE rate, subject to reconciliation. We note that Concord Steam's use of wood as its primary fuel should produce significant savings during the 2014-2015 COE period as compared to other fuel sources, and we find that Concord Steam's affirmative steps to secure fixed-price natural gas supplies are appropriate given the current winter gas cost volatility in New England's energy markets.

We agree with Staff that quarterly reporting by Concord Steam regarding its new plant proposal and its financing, current operations, and future business plans is warranted and advisable, and we order such reporting pursuant to our duty to keep informed under RSA 374:4. We will require the first such quarterly report to be filed on January 9, 2015. Concord Steam shall also file interim reports, in addition to its regular quarterly reports, upon the occurrence of significant developments regarding the new plant proposal, financing changes, current operations, or future business plans. Concord Steam may seek, by motion subject to our review, confidential treatment pursuant to RSA 91-A:5, IV, and Puc 203.08, for such responses to protect confidential business and financial information.

Turning to Concord Steam's motion for confidential treatment of information contained in its response to Staff Data Request 1-16, accepted as Confidential Exhibit 2 at hearing, New Hampshire law exempts from disclosure records of "confidential, commercial or financial information." RSA 91-A:5, IV. The New Hampshire Supreme Court applies a three-step balancing test to determine whether documents meet this definition. *Lambert v. Belknap County Convention*, 157 N.H. 375, 382-83 (2008); see *Sprint Communications Company*, Order No. 25,607 at 2 (Dec. 19, 2013). Under that test, the Commission first inquires whether the information involves a privacy interest and then asks if there is a public interest in disclosure. Finally, *Lambert* directs the Commission to balance those competing interests and decide whether disclosure is appropriate. 157 N.H. at 383.

Applying *Lambert*, the Commission grants Concord Steam's motion. The Commission regularly protects the financial and commercially sensitive information of third parties. See, e.g., *Liberty Utilities (EnergyNorth Natural Gas) Corp.*, Order No. 25,690 at 3-4 (July 9, 2014). The future business plans and contingency protocols provided in Concord Steam's response to Staff Data Request 1-16 (Confidential Exhibit 2) fall into this protected category. Public knowledge of these commercially sensitive elements of Concord Steam's business planning is not necessary to understand the nature of Concord Steam's COE filing or the basis of this Commission's approval of the COE rate, and is far outweighed by the potential harm to Concord Steam's commercial position that could result from disclosure of this information.

Concord Steam's waiver request is governed by Puc 201.05. The Commission may waive Puc 201.04's provisions if it finds the waiver serves the public interest and the waiver does not disrupt the orderly and efficient resolution of matters before the Commission. The

public interest determination requires consideration of whether compliance with the rule would be onerous given the circumstances and whether the purpose of the rule is otherwise satisfied.

Based on our review of the petition and Staff's submission letter, we conclude that the acceptance of the redacted version of the response to Staff Data Request 1-16 is in keeping with the intention of Puc 201.04(b) and (c) (requiring redactions to be plainly indicated), is consistent with the public good, and that the standards for a waiver are satisfied. Accordingly, we will grant a partial waiver of the requirements of Puc 201.04(b) and (c).

Based upon the foregoing, it is hereby

ORDERED, that Concord Steam's proposed 2014-2015 COE rate of \$25.10 per Mlb. effective November 1, 2014, on a service-rendered basis, is APPROVED; and it is

FURTHER ORDERED, that Concord Steam's motion for confidential treatment and request for a partial waiver of N.H. Code Admin. Rules Puc 201.04(b) and (c) are APPROVED; and it is

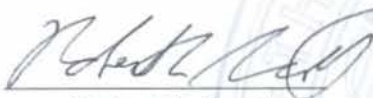
FURTHER ORDERED, that Concord Steam may adjust the approved COE rate of \$25.10 per Mlb. upward or downward monthly based on Concord Steam's calculation of the projected over or under-collection for the period, but the cumulative adjustments shall not exceed 20 percent of the approved COE rate; and it is

FURTHER ORDERED, that Concord Steam shall provide the Commission with its monthly calculation of the projected over- or under-calculation, along with the resulting revised COE rate for the subsequent month, not less than five business days prior to the first day of the subsequent month, and shall include a revised tariff if Concord Steam elects to adjust the COE rate; and it is

FURTHER ORDERED, that Concord Steam shall file properly annotated tariff pages in compliance with this order no later than 15 days from the issuance date of this order, as required by N.H. Code Admin. Rules Puc 1603; and it is

FURTHER ORDERED, that Concord Steam shall file a status report with the Commission regarding its new plant proposal, current operations, and future business plans, each quarter, beginning with a report to be filed on January 9, 2015, and interim reports at any time a significant development regarding these matters takes place.

By order of the Public Utilities Commission of New Hampshire this twenty-eighth day of October, 2014.

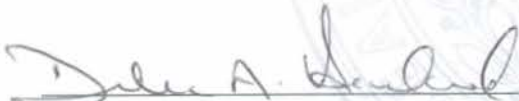


Robert R. Scott
Commissioner



Martin P. Honigberg
Commissioner

Attested by:



Debra A. Howland
Executive Director



SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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