

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DG 07-076**

**CONCORD STEAM CORPORATION**

**Rate Proceeding**

**Order Approving Temporary Rates**

**ORDER NO. 24,796**

**October 24, 2007**

**APPEARANCES:** Sarah B. Knowlton, Esq., of McLane, Graf, Raulerson and Middleton, P.A. for Concord Steam Corporation, and Edward N. Damon, Esq. for the Staff of the New Hampshire Public Utilities Commission.

**I. PROCEDURAL HISTORY**

Concord Steam Corporation is a public utility that supplies steam service to approximately 109 commercial or institutional customers in Concord and one residential customer. Concord Steam also cogenerates electricity for internal use and for the regional wholesale electricity market. On August 1, 2007, Concord Steam filed a rate schedule reflecting an increase of \$515,698 in base rate revenues, with the rate increase spread proportionately over all three tiers of the Company's declining block rate structure. Included in Concord Steam's filing was a petition for temporary rates, which requested a temporary rate increase in the same amount as base rates to be effective with service rendered on November 1, 2007, or on the date which customers are notified, whichever is sooner. According to Concord Steam, rates would increase 26.2 percent over currently approved base rate revenues and 11.65 percent over currently approved overall revenues.

On August 24, 2007, the Commission issued Order No. 24,783, which suspended the proposed tariffs and approved a partial procedural schedule. A pre-hearing conference and technical session were held on September 7, 2007. On September 13, 2007, Staff filed the testimony of utility analyst James Cunningham regarding Concord Steam's temporary rate request, and on September 17, 2007 the Commission held a hearing on that request.

## **II. POSITIONS OF THE PARTIES AND STAFF**

### **A. Concord Steam**

In connection with its filing for a base rate revenue increase of \$515,698, Concord Steam requested that temporary rates be approved that would allow the Company to increase its rates on a temporary basis in the same amount as its proposed increase in permanent rates. Concord Steam contended that temporary rates were appropriate because it had been substantially under earning and was continuing to incur the additional costs to operate that had caused the under earning. Specifically, Concord Steam asserted that its overall rate of return in the 2006 test year was negative 6 percent, compared to the Commission-authorized level of approximately 8.02 percent. According to the Company, its earnings will erode even further unless it can begin to recover its increased costs during the upcoming heating season, during which it earns the bulk of its revenues.

Concord Steam contended that it could have requested a base rate revenue increase of over \$940,000. However, according to the utility, in order to remain competitive with alternative fuel sources, it seeks a base rate revenue increase of only \$515,698, with the increase allocated proportionately over the Company's three categories of block rates. The following table summarizes the proposed increase to base rates.

**Table 1****Proposed Increase in Base Rate Revenue by Usage Rate**

	<u>Current Base Rates</u>	<u>Increase</u>		<u>Proposed Base Rates</u>
		<u>Percent</u>	<u>Amount</u>	
First 500 Mlbs./Month	\$12.11	26.21	\$3.17	\$15.28
501 to 2000 Mlbs./Month	\$10.63	26.21%	\$2.79	\$13.42
Over 2000 Mlbs./Month	\$ 8.81	26.21%	\$2.31	\$11.12

With respect to overall rates, including both the cost of energy and the base rate components, the Company stated that the proposed revenue increase represents an overall increase of 11.65 percent. The following table summarizes the proposed increase to overall rates.

**Table 2****Proposed Increase in Overall Revenue**

Cost of Energy Revenue		\$2,459,714
Base Rate Revenue	+	<u>\$1,967,460</u>
Overall Revenue Before Increase	=	\$4,427,174
Proposed Increase		\$ 515,698
Percent Overall Increase		11.65%

At the hearing on September 17, 2007, Concord Steam president Peter G. Bloomfield testified that the Company was under earning due to a combination of increases in labor costs,

insurance costs and general living costs, and decreases in customer load and steam sales even after allowing for weather corrections. In this regard, the Company confirmed that the number of customers had decreased. The Company explained that it was requesting a revenue increase substantially less than that to which it is entitled because it is trying to maintain its customer base until it can make significant changes to its physical plant and operations to become more efficient. Mr. Bloomfield stated that the Company was in the process of performing preliminary engineering work on a major project to replace its existing steam plant with a new, cleaner and more efficient plant that could significantly reduce the cost of steam.

The Company indicated that the effect of the proposed increase would be less than 12 percent across all usage blocks. In terms of dollar amounts, the increase is approximately \$800 per year for the small user, about \$5,000 per year for a medium user, and about \$30,000 per year for a large user. Mr. Bloomfield stated that there had been no reaction from customers regarding the proposed rate increases. He clarified that the Company was requesting temporary rates to be effective November 1, 2007 on a service-rendered basis.

As part of its filing, Concord Steam requested that certain filing requirements be waived. Finally, Concord Steam and Staff presented a proposed procedural schedule to govern the remainder of the docket, as follows:

Staff Data Requests to Concord Steam	Nov. 7, 2007
Concord Steam Data Responses	Nov. 21, 2007
Technical Session	Dec. 5, 2007
Staff Testimony	Jan. 9, 2008
Concord Steam Data Requests on Staff Testimony	Jan. 23, 2008
Staff Responses	Feb. 6, 2008

Settlement Conference	Feb. 20, 2008
Submit Settlement, if any	Mar. 5, 2008
Hearing	Mar. 19, 2008

## **B. Staff**

Staff recommended that the Commission approve the Company's proposal for temporary rates. Mr. Cunningham stated that Staff's analysis of the temporary rate request reflected the traditional approach under which 2006 test year net operating income was considered without regard to any *pro forma* adjustments. Mr. Cunningham used a 2-point average rate base and a cost of capital that reflected the Commission's last found rate of return on equity and the current cost of long-term and short-term debt. Based on this method, Mr. Cunningham calculated a revenue deficiency of approximately \$1.1 million. He supported the Company's request for a revenue increase of a lesser amount, which represented more than a 50 percent decrease from his calculation and was consistent with the Company's objective of keeping its steam rates competitive with other fuel sources.

Finally, Staff confirmed its support for the proposed effective date of temporary rates. Staff also indicated that it did not object to the Company's request for waivers of certain filing requirements.

## **III. COMMISSION ANALYSIS**

RSA 378:27 requires the Commission to set temporary rates at a reasonable level, which the New Hampshire Supreme Court has determined must be

sufficient to yield not less than a reasonable return on the cost of the property of the utility used and useful in the public service less accrued depreciation, as shown by the reports of the utility filed with the commission, unless there appears to be reasonable ground for questioning the figures in such reports.

*Appeal of the Office of Consumer Advocate*, 134 N.H. 651, 661 (1991). The Court has further held that “[t]his standard is ‘less stringent’ than the standard for permanent rates, in that temporary rates shall be determined expeditiously, without such investigation as might be deemed necessary to a determination of permanent rates.” *Id.* at 660 (citation and internal quotation marks omitted). The effect of establishing current rates as temporary rates ensures that the utility eventually receives the “just and reasonable” rates which are ultimately fixed as permanent rates, consistent with the Court’s holding in *Public Service Company of New Hampshire*, 102 N.H. 66, 70 (1959). In addition, as the Court observed in *Appeal of Pennichuck Water Works*, 120 N.H. 562, 564 (1980), the effective date of temporary rates “fixes and determines the period during which the rates allowed in the underlying permanent rate proceeding may apply.”

Based on the record in this case and the applicable legal standard, we find that Concord Steam has demonstrated that its request for temporary rates is warranted. In addition, we find that the effective date for temporary rates proposed by Concord Steam, November 1, 2007, is reasonable. Finally, it is noted that temporary rates are subject to reconciliation pursuant to RSA 378:29 after the final determination of permanent rates.

Regarding Concord Steam’s request for a waiver of certain filing requirements, we grant the requested waiver since the information is either not applicable, not available or not relevant to this filing. Therefore, pursuant to N.H. Code Admin. Rules Puc 201.05, a rules waiver is consistent with the public interest and will not unreasonably delay the proceedings. Finally, the procedural schedule proposed by the Company and Staff is reasonable and we therefore approve it.

**Based upon the foregoing, it is hereby**

**ORDERED**, that temporary rates as requested by the Concord Steam Corporation are approved, commencing on November 1, 2007 on a service-rendered basis; and it is

**FURTHER ORDERED**, that the Company's request for waiver of certain filing requirements is granted; and it is

**FURTHER ORDERED**, that the proposed procedural schedule set forth herein is approved.

By order of the Public Utilities Commission of New Hampshire this twenty-fourth day of October, 2007.

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Thomas B. Getz  
Chairman

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Graham J. Morrison  
Commissioner

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Clifton C. Below  
Commissioner

Attested by:

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Debra A. Howland  
Executive Director & Secretary