

**THE STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 08-107

ORDER OF NOTICE

On August 28, 2008, Concord Steam Corporation (Concord Steam) filed for: (i) a determination by the Commission that Concord Steam's plan to enter into a certain Steam Purchase Agreement with Concord Power and Steam, LLC (Concord Power), under which Concord Power will supply all of Concord Steam's steam requirements for retail steam service for a minimum period of 30 years, would be prudent and in the public interest; (ii) a determination by the Commission that the construction of system upgrades by Concord Steam necessary to interconnect its distribution system to the proposed new cogeneration facility would be prudent and in the public interest; and (iii) Commission approval pursuant to RSA 374:30 for Concord Steam to sell certain utility assets with a book value of \$696,531 to Concord Power for \$1,500,000. Concord Steam requests a Commission order before November 1, 2008.

Concord Steam is a utility currently providing retail steam service in Concord and cogenerating a limited amount of electrical power for both company use and sale from its plant leased from the State of New Hampshire on the grounds of the New Hampshire Hospital. Concord Steam is not renewing the lease, which expires on August 31, 2010, and plans to provide steam service utilizing a new wood-fired renewable energy facility in the south of Concord. Under the proposed arrangement, Concord Power, a new non-utility entity owned by the owners of Concord Steam, will construct and own the biomass-fired cogeneration facility with a capacity of 17 megawatts (Cogeneration Facility), subject to Concord Power's obligation to supply steam to Concord Steam. Pursuant to the Steam Purchase Agreement, Concord Steam

will pay a price per MMBtu for steam purchased which will be calculated annually and will consist of three charges detailed in the Agreement: a monthly capacity charge, an operations and maintenance charge based on all non-fuel related expenses for the ongoing operation and maintenance of the Cogeneration Facility, and a fuel charge. The costs incurred by Concord Steam under the Steam Purchase Agreement would be subject to review by the Commission as part of Concord Steam's annual cost of energy proceeding.

Under the proposed arrangement, Concord Steam would no longer own or operate a steam generation facility, with the limited exception of two gas-fired back-up boilers which will be interconnected with the Cogeneration Facility. The primary purpose of the back-up boilers is to provide steam when the Cogeneration Facility has scheduled or unscheduled outages. Concord Steam would also sell certain assets, including equipment currently used to cogenerate electricity, to Concord Power. According to the petition, the proposed sales price of the assets is greater than book and market value but less than what Concord Power would pay if it were to purchase the assets new.

Concord Steam would continue to own and operate its current steam distribution system but would have to make system upgrades to interconnect with the Cogeneration Facility. In addition to installing approximately 6,800 feet of 16 inch steam pipe running from the Cogeneration Facility to Concord Steam's existing distribution system, Concord Steam would re-insulate portions of the downtown system. The estimated cost of the interconnection and upgrades is \$4,000,000. Concord Steam expects to file a financing petition in the spring of 2009 for approval of a debt issuance to fund the upgrades and interconnection.

Although Concord Steam does not have a precise calculation of the rate impact due to the new corporate structure and operations, it expects steam rates to decrease by

approximately 30 percent and anticipates filing for new delivery rates in the fall of 2009. According to the petition, prior to construction of the Cogeneration Facilities, Concord Steam must take certain actions which either require Commission approval or may affect rates. First, the Commission must approve the transfer of utility assets as required under RSA 374:30. Second, to obtain the financing necessary to upgrade its system and interconnect with the Cogeneration Facility, Concord Steam needs approval of the financing, to be applied for in 2009. Third, in order for Concord Power to obtain the debt and/or equity financing necessary to construct the Cogeneration Facility, Concord Steam must enter into the Steam Purchase Agreement so lenders and/or investors can be reasonably certain that the costs associated with the Agreement will be recoverable through rates.

The filing raises, inter alia, issues related to the Commission's authority to grant the requested determinations in advance, whether Concord Steam's investigation and analysis of the alternatives for satisfying the utility's resource needs is reasonable, and whether it is prudent and in the public interest for Concord Steam to: (i) sell certain utility assets to Concord Power and, if so, at what price; (ii) upgrade the current steam distribution system and interconnect with the Cogeneration Facility; and (iii) enter into the long term Steam Purchase Agreement with Concord Power under the terms and conditions specified in the Agreement.

Each party has the right to have an attorney represent them at their own expense.

Based upon the foregoing, it is hereby

ORDERED, that a Prehearing Conference, pursuant to N.H. Admin. Rules Puc 203.15, be held before the Commission located at 21 S. Fruit St., Suite 10, Concord, New Hampshire on October 29, 2008 at 1:30 p.m., at which each party will provide a preliminary

statement of its position with regard to the petition and any of the issues set forth in N.H. Admin. Rule Puc 203.15 shall be considered; and it is

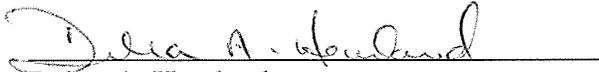
FURTHER ORDERED, that, immediately following the Prehearing Conference, Concord Steam, the Staff of the Commission and any Intervenors hold a Technical Session to review the petition and allow Concord Steam to provide any amendments or updates to its filing; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.12, Concord Steam shall notify all persons desiring to be heard at this hearing by publishing a copy of this Order of Notice no later than October 8, 2008, in a newspaper with general circulation in those portions of the state in which operations are conducted, publication to be documented by affidavit filed with the Commission on or before October 29, 2008; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.17, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a Petition to Intervene with copies sent to Concord Steam and the Office of the Consumer Advocate on or before October 24, 2008, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interest may be affected by the proceeding, as required by N.H. Admin. Rule Puc 203.17 and RSA 541-A:32,I(b); and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before October 29, 2008.

By order of the Public Utilities Commission of New Hampshire this twenty-fourth day of September, 2008.



Debra A. Howland
Executive Director & Secretary

Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability, should contact the Americans with Disabilities Act Coordinator, NHPUC, 21 S. Fruit St., Suite 10, Concord, New Hampshire 03301-2429; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.

