

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Re: Concord Steam Corporation
Approval of Special Contract
With Denev Realty, LLC

DG 08-_____

PREFILED TESTIMONY
OF
MARK SALTSMAN

November 3, 2008

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

2 A. My name is Mark Saltsman. My business address is 105 1/2 Pleasant Street,
3 Concord, New Hampshire.

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

5 A. I am Vice President and General Manager of Concord Steam Corporation
6 ("Concord Steam" or the "Company"). I have been employed by Concord Steam
7 for 17 years. I have a Bachelor of Science degree in Business Management from
8 Franklin Pierce College, Rindge, New Hampshire where I graduated Summa Cum
9 Laude and a member of the Alpha Sigma Lambda National Honor Society. My
10 educational achievements have been supplemented by additional coursework at
11 various technical schools in subjects directly related to operations and
12 maintenance of central heat plants and associated equipment. My professional
13 activities in the community include having served on the Concord School board
14 and the Governor's office of energy task force to study renewable energy credit
15 opportunities in thermal energy.

16 **Q. Please describe your role with regard to the negotiation of the special**
17 **contract with Denev Realty, LLC ("Denev") that is the subject of this**
18 **proceeding.**

19 A. I played the lead role on behalf of Concord Steam in negotiating the contract that
20 is being submitted to the Commission in this docket.

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

22 A. I will summarize the terms of and reasons for the Company's decision to enter
23 into a special contract with Denev.

24 **Q. Please describe the historical background of Concord Steam's relationship**

1 **with Denev and the Vegas Building.**

2 A. For at least the past 25 years, Concord Steam has been providing retail steam
3 service to the building located at 148 – 158 North Main Street, Concord, New
4 Hampshire (the “Vegas Building”). This building consists of approximately 36
5 units of low income residential housing. Until June of 2008, the building was
6 owned by Jason Ganem, who was the Company’s customer. In approximately
7 April 2006, Mr. Ganem fell behind in his payments for steam service provided by
8 the Company, which was pursuant to the terms and conditions in its tariff on file
9 with the Commission. As of September, 2008, Mr. Ganem owed the Company
10 approximately \$23,700 for steam service provided. In accordance with N.H.
11 Admin. Puc 1200 and its tariff, the Company notified Mr. Ganem that his account
12 was in arrears and gave him numerous opportunities to pay his outstanding bill.
13 Mr. Ganem failed to do so, and in April 2008, the Company notified Mr. Ganem
14 that it would be disconnecting service to the Vegas Building. On or about May 5
15 2008, service was disconnected. In June 2008, Mr. Ganem sold the building to
16 Denev Realty, LLC. Since then, Concord Steam has been communicating with
17 Denev Realty in an effort to restore steam service to the Vegas Building.

18 **Q. Were you able to reach any agreement with Denev regarding restoration of**
19 **steam service?**

20 A. Yes. Denev Realty was in the process of exploring alternate forms of heat for the
21 Vegas Building, including natural gas. I met with the owner of Denev, Emin
22 Halilovic, to discuss restoration of steam service to the Vegas Building given the
23 onset of the heating season. Denev Realty has experienced financial difficulty
24 associated with meeting its obligations as a landlord at the Vegas Building.

1 Denev has been in the process of exploring alternate fuel sources as a way to
2 reduce its long term fuel costs. Denev was only willing to consider restoring
3 steam heat to the Vegas Building if the Company could provide some long term
4 certainty, to the greatest extent possible, regarding Concord Steam's rates.
5 Because it is beneficial to all of Concord Steam's customers to retain the load
6 associated with the Vegas Building, I reached agreement with Mr. Halilovic to
7 provide retail steam service to the Vegas Building for a term of ten years at a rate
8 lower than the otherwise applicable tariffed rate.

9 **Q. Please describe the terms of the contract between Concord Steam and Denev.**

10 A. A copy of the contract between Concord Steam and Denev is attached to my
11 testimony as MS-1. Pursuant to this contract, Denev has committed to remain a
12 customer of the Company for ten years, beginning on October 15, 2008. Denev
13 will pay a monthly rate that is based on the current lowest tier base rate and the
14 current energy rate, as approved by the Commission. The contract assumes that
15 Denev's annual steam usage will be 920 Mlbs/year, which is consistent with its
16 historic usage. Monthly payments under the contract are determined by
17 multiplying the annual steam usage by the Company's current, lowest tier base
18 rate and adding the Company's current cost of energy times the annual usage.
19 That amount is divided by 12 to derive a monthly payment. Denev's monthly rate
20 is currently set at \$1,955 per month, unless the cost of energy rate is changed, in
21 which case the monthly rate will be calculated based on any new energy rate. In
22 the event that Denev's annual usage increases or decreases by more than 10%,
23 Concord Steam will recalculate Denev's stipulated monthly usage under the
24 contract. In addition, if there is any change to the Company's lowest tier base

1 rate, that new rate will be applied to Denev's payments under the contract. Denev
2 has further agreed to pay a \$4,000 deposit to the Company, which it has already
3 received.

4 **Q. Is this contract beneficial to the Company and in the public interest?**

5 A. Yes. As explained in the special circumstances statement attached to the front of
6 the contract, it is in the Company's interest to retain the load associated with the
7 Vegas Building. The Vegas Building represents approximately 26% of the
8 Company's load in the surrounding downtown area. By retaining this load and
9 the revenues associated with it, Concord Steam is able to keep rates down for all
10 of its customers and eliminate the risk associated with losing the Vegas Building
11 load over the next decade. While there is some revenue loss associated with
12 providing service at this lower rate, that revenue loss is less than the revenue loss
13 to the Company's customers in the event that the Vegas Building load was lost
14 altogether. Further, the monthly rate under the contract is not less than the
15 Company's marginal cost to provide service to the Vegas Building. Thus, there
16 will not be any undue subsidy by the Company's current customers of Denev.

17 **Q. Are there other reasons that would support a finding that this contract is just**
18 **and consistent with the public interest?**

19 A. Yes. The Vegas Building provides critical housing to low income residents in
20 downtown Concord, particularly given the lack of affordable housing in Concord.
21 It is in the public interest to restore steam service to the Vegas Building so that
22 residents there have heat throughout the winter as well as hot water. Given the
23 financial pressures on Denev, it is critical that steam service be as affordable as
24 possible so that Denev can meet its obligations to its tenants. Because retaining

1 the load associated with the Vegas Building also benefits all of Concord Steam's
2 customers, the Company believes that a deviation from the terms of the
3 Company's tariff is not only warranted but in the public interest.

4 **Q. What happens if Denev defaults under the contract?**

5 A. Pursuant to Section 5 of the contract, Denev has agreed to pay all service
6 connection charges related to the restoration of steam service and associated costs
7 to supply steam service if its service is disconnected as a result of Denev's default
8 under the contract. Further, Denev would be obligated to repay Concord Steam
9 for any base rate discounts applied to its account if Denev is in default of the
10 contract or is disconnected. This provision creates an incentive for Denev to
11 remain in good standing and to avoid any disconnection of its steam service.

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

13 A. Yes.

SPECIAL CONTRACT
CONTRACT NO. NHPUC 2
CONCORD STEAM CORPORATION
WITH
DENEV REALTY, LLC

Date of Execution:	October 15, 2008
Effective Date:	October 15, 2008 (Subject to NHPUC Approval)
Date of Termination:	Ten Years After Effective Date Unless Terminated Sooner Pursuant to Terms Herein

STATEMENT OF THE SPECIAL CIRCUMSTANCES
RENDERING DEPARTURE FROM GENERAL SCHEDULES
JUST AND CONSISTENT WITH THE PUBLIC INTEREST

1. The service to be rendered under this Second Contract (the "Contract") consists of the furnishing of steam service to DENEV Realty, LLC legal owners of the the Vegas building 148-150 North Main Street, Concord, New Hampshire 03301 at a price which takes into account the marginal cost of serving the Vegas building in addition to a contribution towards Concord Steam's fixed costs of serving its customers.
2. This Contract has been designed to meet the specific needs of the Vegas building while at the same time providing benefits for Concord Steam and its other customers. The parties agree that steam supply is a vital element to the Vegas building, in that it is crucial to supply heat to the tenants who live in the low income housing located at the building and that the Vegas building's owner has relied on this Contract in making long-term decisions concerning its source of heat and steam. Further, the Vegas building owner's has experienced significant financial difficulties given the pressures of operating low cost housing, yet seeks to continue to provide services to the Concord community while meeting its financial obligations to Concord Steam. Retention of the Vegas building steam load is important to Concord steam, because it is a significant portion of Concord Steam's annual steam sales in the core downtown area. Thus, this Contract enables the Vegas building to continue its operations while reducing the risk that Concord Steam will lose the Vegas building steam load and providing a regular revenue stream from the Vegas building to Concord Steam for services provided. In turn, this will contribute significantly to holding down rates for Concord Steam's other customers.

CONTRACT FOR STEAM SERVICE BETWEEN
CONCORD STEAM CORPORATION
AND
DENEV REALTY, LLC
VEGAS BUILDING 148-150 N. MAIN ST.

Agreement made as of this 15th day of October, 2008 by and between Concord Steam Corporation ("Concord Steam"), a New Hampshire corporation with a principal place of business of P.O. Box 2520, Concord, New Hampshire 03302 and DENEV Realty, LLC ("Vegas Building"), a New Hampshire business, with a principal place of business at 148-150 North Main Street, Concord, New Hampshire 03301.

WHEREAS, Concord Steam is engaged in business as a public utility in the City of Concord in providing steam service to the public;

WHEREAS, the VEGAS BUILDING is a low income housing building providing services to the public in Concord, New Hampshire. Concord Steam has supplied steam service to the VEGAS BUILDING for at least the past twenty-five years;

WHEREAS, the VEGAS BUILDING has experienced financial difficulties that has made it difficult for the VEGAS BUILDING to meet its financial obligations to Concord Steam, despite VEGAS BUILDING's commitment to meet those obligations;

WHEREAS, the VEGAS BUILDING has considered reducing the amount of steam purchased or switching to an alternative fuel source in order to reduce its long term fuel costs;

WHEREAS, Concord Steam desires to continue to provide steam service to the VEGAS BUILDING upon the terms and conditions set forth in this Contract in order to maintain its steam load, for the benefit of all of its customers.

NOW, THEREFORE, Concord Steam and the VEGAS BUILDING for and in consideration of the mutual covenants and agreements hereinafter set forth do hereby agree as follows:

1. Rate and Usage. VEGAS BUILDING shall pay Concord Steam a monthly rate that is based on the current lowest tier base rate and the current energy rate, and is determined by multiplying the lowest tier base rate by the expected annual usage, and adding in the current energy rate times the expected annual usage, and then dividing the total by 12 (the "Monthly Rate"). The annual usage of steam by the VEGAS BUILDING is assumed to be 920 Mlbs/year. Based on this formula, the Monthly Rate shall be \$1,955 per month, unless adjusted in accordance with this Agreement. When the lowest tier base rate in Concord Steam's tariff is increased or decreased, as approved by the New Hampshire Public Utilities Commission (the "Commission"), the Monthly Rate shall be increased or decreased accordingly. In the event that VEGAS BUILDING's Annual Usage increases or decreases by more than 10%, the Monthly Rate shall be recalculated, and such recalculated rate shall be effective upon approval by the Commission.

2. Cost of Energy. The Monthly Rate includes the cost of energy, at an initial rate of \$14.38/Mlb. In accordance with Paragraph 1 of this Agreement, the Monthly Rate will be adjusted based on Concord Steam's applicable cost of energy, as approved by the New Hampshire Public Utilities Commission (the "Commission").

3. Payments. All amounts due and payable under this Contract shall be made in accordance with the payment terms and conditions under Concord Steam's tariff then in effect, including the applicable interest rate applied to any unpaid balances.

4. Deposit. Customer agrees to pay a deposit of \$4,000.00 (four thousand dollars). This deposit will be held in accordance with the normal deposit conditions outlined in the tariff rules on file with the NH PUC.

5. Default. Customer agrees to pay all service connection charges related to the restoring of the steam service and associated cost incurred to supply steam service by CSC if service is discontinued by the customer or by CSC if customer is in default at anytime during the term of this agreement. In addition, the Customer agrees to re-pay any base rate discounts applied to it's account if service is discontinued by the customer or by CSC if customer is in default at anytime during the term of this agreement.

6. Term. The term of this Contract is ten years commencing on October 15, 2008.

7. Books and Records. During the Term hereof and for a period of at least two years thereafter, Concord Steam shall maintain such books and records (collectively "Records") as are necessary to substantiate that Concord Steam is in compliance with this Contract. VEGAS BUILDING and its representatives shall have the right at any time during normal business hours, and upon reasonable notice, to examine the Records, make copies and take extracts therefrom and discuss the Records with Concord Steam's officers and employees as VEGAS BUILDING deems necessary.

7. Regulatory Approval. Concord Steam agrees, upon execution of this Contract, to file the same with the Commission, and to request the required approval. Concord Steam agrees to use all commercially reasonable efforts to secure the regulatory approval of this Contract by the Commission. Concord Steam shall not, however, be liable to VEGAS BUILDING for any damages, direct or indirect, resulting from its failure to obtain said approval. The performance by Concord Steam of its obligations under this Contract is subject to the condition that Concord Steam shall obtain from the Commission approval of this Contract as required by law.

8. Entire Agreement. This instrument constitutes the entire agreement between the parties and is executed by each without reliance upon any representations made by either to the other during the course of the negotiations with respect thereto; provided, however, that the parties understand and agree that, except to the extent it is inconsistent with this Contract, the terms of Concord Steam's tariff on file with the Commission shall govern the parties' relationship.

9. Successors and Assigns. Insofar as may be legally possible, each party covenants and agrees that the benefits and burdens of this Contract shall be binding upon the successors and assigns of each including any successor in title to all or substantially all of the properties of each.

10. Notices. Except as otherwise provided herein, all notices hereunder shall be in writing and shall be deemed to have been duly given for all purposes (i) when delivered in person, or (ii) three days after the date on which deposited in the United States mail, by registered or certified mail, return receipt requested, postage prepaid, or (iii) one day after the same is delivered to an express courier service guaranteeing overnight delivery, or (iv) when sent by telecopy transmission if receipt is confirmed and a copy is sent by regular first class mail, postage prepaid, in each case directed to the party to receive the same (which, in the case of Concord Steam, is the President and in the case of VEGAS BUILDING is Emin Halilovic, Member, 15 Mammoth road, Manchester, NH 03103) at its address stated above or at such other address as may be substituted by notice given as herein provided.

11. Amendment. This Contract may be amended only by written agreement by and between Concord Steam and VEGAS BUILDING and, if required by applicable law or regulation, only if approved by the Commission. If VEGAS BUILDING desires to extend the term of this Contract, it shall give notice thereof to Concord Steam not later than September 1, 2018. If Concord Steam is willing to consider such an extension, the parties shall then discuss the terms and conditions thereof and if agreement is reached with respect to such terms and conditions, such agreement shall be evidenced in writing which, if required by applicable law or regulation, shall be submitted to the Commission for its approval.

12. Applicable Law. The parties agree that this Contract shall be governed by the laws of the State of New Hampshire.

13. Headings. The headings in each section of this Agreement are for convenience of reference only, and do not form a part hereof and in no way modify or shall be used to interpret or construe the meaning of this Contract.

IN WITNESS WHEREOF the parties have caused their corporate names to be subscribed by a duly authorized officer.

CONCORD STEAM CORPORATION

By: 

Name: Peter Bloomfield

Title: President, duly authorized

DENEV REALTY, LLC

By: 

Name: Emin Halilovic

Title: Member, duly authorized