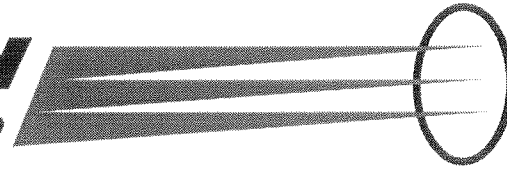


Concord Steam



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Steam and Power Generation

June 3, 2015

JUN 04 2015

Mayor Jim Bouley and City Council
City Hall
41 Green St
Concord NH 03301

Dear Mayor Bouley and Councilors;

I would like to fill you in on the plans for Concord Steam and its future. We intend to upgrade and improve the existing steam plant that will result in a virtually new facility with expanded power generation that when it is put into operation in early 2017 will be more efficient, cleaner and safer. The end result will be a 35% reduction in the cost of steam to our customers, while continuing to burn wood and help support the local economy.

Concord Steam has heated downtown Concord, and the City offices, since 1939, and has done so with clean, safe, and reliable steam service. We have contributed to the health and vibrancy of this City in numerous ways, with contributions to the Arts Community as well as establishing special contracts with various non-profits and other clients that needed a little extra help to realize their missions/visions, often out of Concord Steam's income. We've also provided expertise in many of the revitalization efforts of buildings in the downtown area.

Our recent attempt to build a new facility failed to come to fruition. As a result, we decided to renovate and rebuild the existing steam plant on Pleasant St. We began this plan last year and have made some significant progress. We received our new air permit in April, we have a contract with the New Hampshire Electric Cooperative to buy all of our excess power, we are working with Unitil on the electrical interconnect and we are working with TD securities on a commitment to sell \$17,000,000 worth of bonds to finance the improvements. We did not want to approach any steam customers about long term steam contracts until we had cleared these hurdles, which we now have done.

We will completely rebuild our primary boilers and associated equipment, and install new pollution control equipment that will enable us to meet the new EPA air pollution regulations that become effective next year. We will also install a steam turbine generator system that will enable us to generate additional electricity and sell all of the excess to the NHEC. Concord Steam will continue to provide steam to our customers throughout the construction process. The end result of this plant upgrade will be a significant reduction in the cost of steam to our customers. Based on closing on



financing late this fall, the renovations will be completed by early in 2017, and the new rates will take effect at this time.

All of our output, both electricity and steam, will qualify for Renewable Energy Certificates. As a result of the more efficient plant, the sale of the RECs and the sale of additional excess electricity, the cost of steam will drop by 35%. This will bring the price of steam down to a much more competitive level.

However, in order for this to happen, we need to retain our largest customers. As you know, the State has issued an RFP to compare the cost of remaining on steam to conversion to natural gas. The State has indicated a willingness to work with us to remain on steam, but one of its major concerns is that it does not want to be the only entity committing to a long-term steam contract. We have just started to resolve this issue by beginning conversations about contracts with some of our steam customers. The school board has agreed to negotiate a contract as have some of the large commercial building owners. The City is a prominent piece of this puzzle, and although it is not one of the largest customers, it is one of the most important to Concord Steam as part of the downtown identity. We want to meet with City staff to present our plans and work through the economics of steam versus gas with them.

An important piece of this analysis is to consider all parts of the issue, including the impact of what shutting down Concord Steam would mean. We paid \$108,000 in city tax last year, and that amount will more than double once the new upgrades are made. The closing of the company would also create a significant burden to all of the downtown customers to convert to gas. Their conversion costs will be similar to what the city is expecting to pay, but with more expensive capital.

We ask that the City work with us to try and make this infrastructure improvement happen. We would like to begin negotiations for a 10 year contract for steam supply, contingent on the State remaining a customer and that the upgrades to the plant are completed. The City's commitment will encourage the State to remain with steam. The State will have the results of its study by this fall and its decision will be influenced by major customers agreeing to contracts.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Bloomfield". The signature is fluid and cursive, with a large initial "P" and "B".

Peter Bloomfield, Pres.