

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

ORIGINAL	
N.H.P.U.C. Case No.	DW 13-171
Exhibit No.	2
Witness	Panel 1
DO NOT REMOVE FROM FILE	

DW 13-171

IN RE EASTMAN SEWER COMPANY, INC.

Sale of Assets and Liabilities to VILLAGE DISTRICT OF EASTMAN

**PRE-FILED TESTIMONY OF BRIAN HARDING,
GENERAL MANAGER OF THE EASTMAN SEWER COMPANY, INC.**

NOW COMES, the EASTMAN SEWER COMPANY, INC., and submits the following
PRE-FILED TESTIMONY:

1 Q. What is your name and relationship to the Eastman Community.

2 A. My name is Brian Harding. I am the General Manager of the Eastman Sewer Company,
3 Inc. and have served in that capacity since January 2007. My office mailing address is PO Box
4 53, Grantham, NH 03753-0053. I am also Assistant General Manager of the Eastman
5 Community Association, and have been employed by ECA since 1994.

6 Q. What are your qualifications for and responsibilities in these positions?

7 A. As General Manager of ESC, I am responsible for overseeing the operation of the
8 company, to include working with the contract system operator, managing the company finances
9 and budget, directing contract engineers for completion of engineering studies and related capital
10 projects, and interfacing with appropriate New Hampshire state agencies. I received my B.S. in
11 Business Administration from the University of New Hampshire in 1988 and M.B.A. from
12 Boston University in 1993. My professional activities include serving as Treasurer for the
13 Eastman Charitable Foundation. I have testified in rate proceedings before the New Hampshire

14 Public Utilities Commission and have also participated in meetings with NHPUC staff to discuss
15 topics of specific interest to the Eastman Sewer Company. Since February 2012, I have attended
16 numerous ECA, ESC and Village District of Eastman meetings at which the topic of the
17 proposed sale of ESC to VDE was discussed. Based on my operational and financial experience,
18 it is my opinion that the transfer of assets and liabilities of the Eastman Sewer Company to the
19 Village District of Eastman is in the best interest of the Sewer Company customers and the
20 Eastman Community as a whole.

21 Q. What is the Eastman Sewer Company and who does it serve?

22 A. The Eastman Sewer Company was formed by the developer of the Eastman Community,
23 Controlled Environmental Corporation, in 1972, to serve the properties in the Eastman
24 Community (mostly condominiums) that could not have a septic system. The Eastman
25 Community Association, a 501(c) 4 non-profit corporation, purchased all of the stock of the
26 Eastman Sewer Company from the developer in January 2001. Approximately one-third of the
27 Association's 1,500 properties are served by the Sewer Company, but the Company is
28 intrinsically connected with and essential to the Village District and the Eastman Community.

29 Q. What is the Village District of Eastman?

30 A. The Village District of Eastman is a duly formed Village District pursuant to RSA 52.
31 This municipality has the authority to provide sewer services. Parts of the towns of Grantham,
32 Springfield and Enfield are contained within the geographical boundaries of the Eastman Village
33 District, as shown on Exhibit 1 of the Petition.

34 Q. Are all ESC customers within the Village District of Eastman?

35 A. All of the customers of the Eastman Sewer Company, Inc. are within the geographical
36 boundaries of the Village District of Eastman, and more specifically, all are within that portion

37 of the Town of Grantham which is within the Village District of Eastman.

38 Q. Are there any plans to serve customers outside of these boundaries?

39 A. There are no plans to extend sewer services beyond the geographical boundaries of the
40 Village District of Eastman.

41 Q. Have the Parties executed a Purchase and Sale Agreement contingent on PUC approval?

42 A. Yes, the Eastman Community Association and Village District of Eastman executed a
43 Purchase and Sale Agreement contingent on PUC approval (Exhibit 2 of the Petition for the sale
44 of all of the assets and liabilities of the Eastman Sewer Company, Inc. to the Village District of
45 Eastman.

46 Q. What operational changes are anticipated and how will sewer service be funded?

47 A. The Parties intend that this transfer will be as “seamless” as possible with few, if any
48 changes. They intend that the provision of sewer services will be funded by user fees from the
49 customers of the Eastman Sewer Company, Inc., and that such fees will be determined in accord
50 with appropriate municipal procedures.

51 Q. Will billing practices change?

52 A. Although forms might change, the substance of billing practices will not. From the
53 customer’s perspective, things will remain the same after the sale is completed.

54 Q. Do you have a DES permit and a qualified operator?

55 A. The Parties anticipate that the sewer services will continue to be provided in accord with
56 the DES Permit as set forth in Exhibits 5 and 6 of the Petition. That Permit states at Page 4,
57 Section 11: “The waste water treatment facility shall be operated and maintained by qualified
58 operators, licensed by the Department under the requirements of N.H. Code of Administrative
59 Rules, Env-Ws 901.” Our qualified operator is Joseph P. Damour, President, Water System

Operators, Inc., 405 Flanders Road, PO Box 69, Henniker, NH 03242. A 2013 contract between ESC and WSO has been executed. (Exhibit 3 of the Petition)

Q. Is the Village District of Eastman capable of managing the provision of sewer services?

A. The VDE already operates the water system of the Eastman Community. I interact with the VDE on a daily basis and I have directly observed the enhanced management and operational resources that will be available to ESC if this transaction is approved. VDE has operated the water system in a reliable and safe manner for years and is well equipped to add the sewer system to its functions – a combination that will be efficient, cost effective, and beneficial to the entire community. I have an excellent, ongoing, professional relationship with our qualified operator, Joseph P. Damour, and I expect that relationship to continue.

Q. Will this transaction be in the best interest of the public good?

A. Yes, the Parties have investigated the costs related to the provision of sewer services and have determined that operational, financial and structural efficiencies are possible if the Public Utilities Commission approves this transfer which will translate into savings, better service and more local control with the availability of VDE's hands-on personnel, equipment and expertise. We estimate that annual savings will be:

\$8,100	Real Estate Taxes to Grantham
\$4,300	Utility Property Taxes to State
\$2,600	CPA Expense
\$4,700	Extra Insurance
<u>\$19,700</u>	14% of the ESC Operating Budget

Q. Would you please summarize the current status of this transaction.

A. After much discussion, debate and negotiation:

1. The sale concept has been approved by the voters with a "super majority" authorizing new financing.

- 80 2. Refinancing of ESC debt has been approved by the lender.
- 81 3. The actual sale, contingent on PUC approval, has been ratified by all three parties by
- 82 vote and by a signed Purchase and Sale Agreement.
- 83 4. A DES permit is currently in place. The process for approval of the transfer to the
- 84 VDE has been discussed with DES.
- 85 5. Agreement with the licensed operator has been reached and affirmed in writing.

Respectfully submitted,

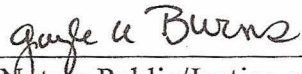
EASTMAN SEWER COMPANY, INC.

By:


Brian Harding
General Manager, Duly Authorized

STATE OF NEW HAMPSHIRE
COUNTY OF SULLIVAN

Subscribed and sworn to before me this 18th day of June 2013 by BRIAN HARDING,
General Manager of the Eastman Sewer Company, Inc.


Notary Public/Justice of Peace
My Commission Expires:

GAYLE A. BURNS
Notary Public - New Hampshire
My Commission Expires December 9, 2014

CERTIFICATE OF SERVICE

Today the foregoing document was served electronically and by depositing a copy of same in a United States Postal Service receptacle, first class postage prepaid, addressed to Office of the Consumer Advocate, 21 South Fruit Street, Suite 18, Concord, NH 03301-2429.

Dated: June 20, 2013


Jay C. Boynton, Esquire, NH Bar ID 79
PO Box 395
Andover, NH 03216-0395
Telephone: 603-735-5554
Facsimile: 603-735-5564
boyntonlawoffice@tds.net