

ORIGINAL	
N.H.P.D.C. Case No.	DW 13-171
Exhibit No.	16
Witness	Panel 1
Eastman Sewer Company, Inc.	
DO NOT REMOVE FROM FILE	

DW 13-171

Responses to Geraldine Logan Set 1a

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Geraldine Logan 1a-1

Witness: Brian Harding

REQUEST: Could you provide a detailed inventory of the initial sewer capital infrastructure when it was created in 1972-1973? Please include any and all sewer capital components from the period of 1972-1980 that are still in use providing the following data:

- a. Book Cost
- b. Life expectancy/book period
- c. Depreciation method
- d. Current age
- e. Current remaining depreciation (net book)
- f. Current replacement cost

RESPONSE: The Eastman Community Association did not create the Eastman Sewer Company and did not own it until 2001. Any questions pertaining to the initial sewer capital infrastructure from 1972-1980 would have to be directed to representatives of the original owner of ESC, Controlled Environment Corporation. For all questions pertaining to any accounting related matters from 2001 forward (since ECA's purchase of ESC) please refer to the annual ESC Audit Reports that are available in the Sewer Company area of the ECA website. These reports, which

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were prepared by an independent auditor, are ESC's official financial records for the years 2001-2012.

Eastman Sewer Company, Inc.

DW 13-171

Responses to Geraldine Logan Set 1a

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Geraldine Logan 1a-2

Witness: Brian Harding

REQUEST: For the capital equipment installed in the 1970s (1972-1980) please provide the most recent engineering inspection including the scope of the evaluation which defines the current and projected "life" and inspection status. Please identify all equipment and status as appropriate. Also please state if no comprehensive engineering evaluation has been performed.

RESPONSE: The Eastman Sewer Company contracted with CLD Consulting Engineers in 2007 to complete a capital analysis and recommendations for improvements, to include a suggested schedule for replacements and upgrades. A copy of their March 2008 report is attached.

Eastman Sewer Company, Inc.

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Responses to Geraldine Logan Set 1a

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Geraldine Logan 1a-3

Witness: Brian Harding

REQUEST: In the Book Asset Detail report submitted as Exhibit A of the Joint Petition of the ESC to the PUC to approve Sale (p. 28), the 3rd page of that Exhibit under "Group Sewer Plant" you have chosen to use a negative cost value as book cost for several items. Can you explain why you have chosen this approach and the resulting impact on the ESC balance sheet and Income Expenses statement?

RESPONSE: For all questions pertaining to any accounting related matters from 2001 forward (since ECA's purchase of ESC) please refer to the annual ESC Audit Reports that are available in the Sewer Company area of the ECA website. These reports, which were prepared by an independent auditor in accordance with Generally Accepted Accounting Principles, are ESC's official financial records for the years 2001-2012.

Eastman Sewer Company, Inc.

DW 13-171

Responses to Geraldine Logan Set 1a

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Geraldine Logan 1a-4

Witness: Brian Harding

REQUEST: What have you paid to your Audit firm for your audited financial statements for the years 2012, 2011, 2010, and 2009?

RESPONSE: The Eastman Sewer Company paid a total of \$21,553 to Seelye & Schulz (Nashua, NH) for preparation of the annual Audit Report and state and federal corporate returns for the years 2009-2012.

Eastman Sewer Company, Inc.

DW 13-171

Responses to Geraldine Logan Set 1a

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Geraldine Logan 1a-5

Witness: Brian Harding

REQUEST: What other accounting work is included in the line item "legal and accounting" shown in the ESC "Schedule of Operating Expenses" as part of your audited financial statement for 2012, 2011, 2010, and 2009?

RESPONSE: The "Legal and Accounting" line in the Audit Reports for 2009-2012 also includes expenses for accounting work related to preparation of the annual report to the NH Public Utilities Commission.

Eastman Sewer Company, Inc.

DW 13-171

Responses to Geraldine Logan Set 1a

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Geraldine Logan 1a-6

Witness: Brian Harding

REQUEST: In PUC Order No. 24.368, of September 2, 2004 in the Settlement Agreement portion, paragraph 3 states "The Settlement calls for Eastman to begin, in 2004, a 10-year program of locating, inspecting and cleaning its sewer mains. Based on the bid Eastman received from vendors, Staff and Eastman agreed that Eastman would incur an annual expense of \$15,000 for this project." Further on in the same section it is stated "Eastman agreed to report annually on the work done on the project. Staff and Eastman also agreed that, if for any reason Eastman were to discontinue the project, it would notify the Staff immediately." Please supply copies of the annual reports to the PUC for locating, inspecting and cleaning the sewer mains? If this was not carried out, given the risk to any buyer and sewer users why would this inspection not be a pre-requisite and in the public interest before any sale?

RESPONSE: The Eastman Sewer Company takes very seriously its commitment to maintain the system. Since 2004, ESC has spent approximately \$65,000 for cleaning and inspecting of the sewer mains. This effort has encompassed 24 separate days of work by contractors, in six different years. Attached is a list of maintenance items performed by independent contractors since March 2003, with the cleaning and inspection work highlighted. Copies of invoices and

Exhibit #16

payments for all work shown are maintained with sewer company records. Note ☐ this maintenance record does not include the extraordinary number of maintenance tasks performed by our licensed operator, Water System Operators, as part of the annual contract. It also does not include any capital-related work performed.

Date	Work Completed	Area	Contractor
Mar-2003	Bi-annual inspection and service of generators	Pump Stations, Treatment Plant	Southworth Milton, Inc.
Jun-2003	Cleaned basin, removed roots	Barn Owl Overlook	Stearns Septic Service
Jul-2003	Foundation work	Lagoon pump station	Osgood Concrete
Aug-2003	Bi-annual inspection and service of generators	Pump Stations, Treatment Plant	Southworth Milton, Inc.
Oct-2003	Repairs, baffle replacements, cover extensions	West Cove A Pump Station	New London Septic Service
Mar-2004	Bi-annual inspection and service of generators	Pump Stations, Treatment Plant	Southworth Milton, Inc.
May-2004	Tank cleaning	West Cove B Pump Station	Stearns Septic Service
Jul-2004	Cleaning & video inspection of lines (7 days, \$15,000)	East Lake area, main line to Plant	CBC Environmental Services
Aug-2004	Bi-annual inspection and service of generators	Pump Stations, Treatment Plant	Southworth Milton, Inc.
Nov-2004	Tank cleaning	West Cove A Pump Station	Stearns Septic Service
Feb-2005	Bi-annual inspection and service of generators	Pump Stations, Treatment Plant	Southworth Milton, Inc.
Aug-2005	Bi-annual inspection and service of generators	Pump Stations, Treatment Plant	Southworth Milton, Inc.
Aug-2005	Cleaning & video inspection of lines (3.75 days, \$10,000)	Mill Pond area	CBC Environmental Services
Dec-2005	Generator repair - Lift Station B	West Cove B Pump Station	Southworth Milton, Inc.
Jan-2006	Bi-annual inspection and service of generators	Pump Stations, Treatment Plant	Southworth Milton, Inc.
Feb-2006	Generator repair - Lift Station A	West Cove A Pump Station	Southworth Milton, Inc.
Mar-2006	Removed grit from main line	Treatment Plant	Stearns Septic Service
Jun-2006	Pump wet well with Vac Truck	West Cove A Pump Station	Stearns Septic Service
Aug-2006	Bi-annual inspection and service of generators	Pump Stations, Treatment Plant	Southworth Milton, Inc.
Sep-2006	Generator repair - Lift Station B	West Cove B Pump Station	Southworth Milton, Inc.
Oct-2006	Pump manhole with Vac Truck	Robin Lane	Stearns Septic Service
Oct-2006	Cleaning & video inspection of lines (3 days, \$11,175)	Butternut Pond area	Stearns Septic Service
Oct-2006	Lift station cleaning and grease disposal	West Cove A Pump Station	Stearns Septic Service
Nov-2006	Generator repair - Aeration Building	Treatment Plant	Southworth Milton, Inc.
Feb-2007	Bi-annual inspection and service of generators	Pump Stations, Treatment Plant	Southworth Milton, Inc.
Feb-2007	Generator repair - Lift Station A	West Cove A Pump Station	Southworth Milton, Inc.
May-2007	Generator repair - Lift Station A	West Cove A Pump Station	Southworth Milton, Inc.
Jul-2007	Bi-annual inspection and service of generators	Pump Stations, Treatment Plant	Southworth Milton, Inc.
Oct & Nov-2007	Cleaning & video inspection of lines - excavation & root removal (3 days, \$12,485)	Slalom Drive area	Stearns Septic Service
Feb-2008	Bi-annual inspection and service of generators	Pump Stations, Treatment Plant	Southworth Milton, Inc.
Apr-2008	Generator repair - Lift Station A	West Cove A Pump Station	Southworth Milton, Inc.

Date	Work Completed	Area	Contractor
Jun-2008	Removal of blockage in main line (heavy grease)	Road 'Round Lake & Cleawater Dr.	Stearns Septic Service
Jul-2008	Pump wet well with Vac Truck (pump failure)	West Cove A Pump Station	Stearns Septic Service
Jul-2008	Removal of blockage in main line (heavy grease)	Robin Lane	Stearns Septic Service
Aug-2008	Removal of blockage at manhole (grease and small towels)	Cove Drive	Stearns Septic Service
Aug-2008	Bi-annual inspection and service of generators	Pump Stations, Treatment Plant	Southworth Milton, Inc.
Oct-2008	Cleaned wet wells at Lift Stations A & B and manhole on Summit Drive	W.C. A & B Pump Stations, Summit Dr.	Stearns Septic Service
Feb-2009	Bi-annual inspection and service of generators	Pump Stations, Treatment Plant	Southworth Milton, Inc.
Feb-2009	Generator repair - Lift Station B	West Cove B Pump Station	Southworth Milton, Inc.
Aug-2009	Bi-annual inspection and service of generators	Pump Stations, Treatment Plant	Southworth Milton, Inc.
Dec-2009	Generator repair - Aeration Building	Treatment Plant	Southworth Milton, Inc.
Feb-2010	Bi-annual inspection and service of generators	Pump Stations, Treatment Plant	Southworth Milton, Inc.
Jun-2010	Generator repair - Aeration Building	Treatment Plant	Southworth Milton, Inc.
Oct-2010	Bi-annual inspection and service of generators	Pump Stations, Treatment Plant	Southworth Milton, Inc.
Nov-2010	Cleaning & video inspection of lines - root removal (3 days, \$9,534)	Summit Drive	Hartigan Wastewater Services
Dec-2010	Generator repair - Aeration Building	Treatment Plant	Milton Cat, Inc.
Mar-2011	Bi-annual inspection and service of generators	Pump Stations, Treatment Plant	Milton Cat, Inc.
Sep-2011	Bi-annual inspection and service of generators	Pump Stations, Treatment Plant	Milton Cat, Inc.
Nov & Dec-2011	Cleaning & video inspection of lines - (4 days, 5,300' of line cleaned, \$6,442)	Slalom Drive	Hartigan Wastewater Services
Dec-2011	Repair of electrical problem for generator circuit breaker at Aeration Bldg.	Treatment Plant	M.J. Hayward Elec. & Mech.
Mar-2012	Bi-annual inspection and service of generators	Pump Stations, Treatment Plant	Milton Cat, Inc.
5/1/2012	Cleaned wet wells at Lift Stations A & B and grit channel at Headworks bldg.	Pump Stations, Treatment Plant	Stearns Septic Service
7/1/2012	Removal of blockage in main line in spillway near South Cove	Clearwater Drive	Stearns Septic Service
Sep-2012	Bi-annual inspection and service of generators	Pump Stations, Treatment Plant	Milton Cat, Inc.
Mar-2013	Bi-annual inspection and service of generators	Pump Stations, Treatment Plant	Milton Cat, Inc.
Mar-2013	Repair of variable frequency drive at Lift Station B	West Cove B Pump Station	M.J. Hayward Elec. & Mech.

Note: List does not include the numerous repairs and maintenance issues performed by Water System Operators, per contract

Eastman Sewer Company, Inc.

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Responses to Geraldine Logan Set 1a

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Geraldine Logan 1a-7

Witness: Brian Harding

REQUEST: In PUC Order No. 20,390, of February 19, 1992 (DR 90-170) ☐ an amount of \$10,010 was set up as a revenue requirement to fund a capital reserve amount of \$240,231. The company must notify the commission before making any expenditures out of this account. ☐

a. The purpose of that account was to have some reserve capital to replace the sewer plant in 24 years. Has there been an accounting mechanism put in place to track the financial ability of ESC to replace the plant components as needed?

b. What is the current balance of funds available based on the July 2013 Balance Statement for major capital repairs and or replacement?

c. Given that the plant's depreciable life is almost expired, what is your overall capital plan and how will that plan be funded?

RESPONSE: With the most recent request for transfer of funds from the reserve to pay for capital expenditures (submitted to the PUC on August 13, 2013), the capital reserve will be exhausted. As was stated in ESC's response to question #2 submitted to Maynard Goldman, it has been the Sewer Company's method of operation to rely on the capital reserve for relatively small system improvements, such as pump replacements, and monitoring and control

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enhancements. Given the allowed annual capital contributions of \$10,000 to the reserve, and the need to replace or repair capital items on an ongoing basis, it has never been realistic to rely on the reserve as the source of funds for significant capital projects. Those projects would have to be funded through borrowing, as was done for the Headworks and West Cove A pump station projects in 2009 and 2010.

Eastman Sewer Company, Inc.

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Responses to Geraldine Logan Set 1a

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Geraldine Logan 1a-8

Witness: Brian Harding

REQUEST: Who will have full responsibility for the Spray Irrigation System as a result of the proposed sale to VDE and as stipulated in the Purchase and Sale Agreement signed May 29, 2013?

RESPONSE: The Eastman Community Association owns the Spray Irrigation System for the golf course, and will continue to own it if the sale of the Sewer Company to VDE is approved by the Commission.

Eastman Sewer Company, Inc.

DW 13-171

Responses to Geraldine Logan Set 1a

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Geraldine Logan 1a-9

Witness: Brian Harding

REQUEST: If the capacity of the Sewer Company is 120,000 gallons per day and the historical average is 55,000 gallons per day, this indicates a 50% usage. The NH DES requires an expansion plan if it reaches 80% usage. Why are you exploring funding for a Drip Dispersal Plan now since it has been determined that the Golf Course no longer needs the spray irrigation and you are well within the usage capacity?

RESPONSE: When the sewer system was constructed, the aerated lagoon wastewater treatment plant had a reported design flow of 120,000 gpd. However, historical experience has shown that even at an average daily flow of 55,000 gpd and the pumping of several million gallons of effluent to the golf course each year, the Holding Ponds for the treatment plant approach capacity levels in years of excess precipitation. A visual inspection of the ponds in July 2013 showed high levels in all three ponds, due the higher than average rainfall and reduced need to move effluent to the golf course for irrigation earlier this season. It is extremely unlikely the system could handle and hold a flow rate of 120,000 gpd for a sustained period without risking overtopping of the holding ponds. The engineers have recommended the Drip Dispersal system be designed to handle 16,000 gpd, an amount approximate to the highest historical annual discharge

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of effluent to the golf course. The Drip Dispersal system is intended to eliminate the need to rely on spray irrigation of effluent, while at the same time ensuring the Holding Pond capacities are maintained at safe levels.

Eastman Sewer Company, Inc.

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Responses to Geraldine Logan Set 1a

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Geraldine Logan 1a-10

Witness: Brian Harding

REQUEST: On Slide #4 of the ESC Proposal for a New Structure presented November 17, 2012, you state that the PUC regulates:

- a. "Contributions to Capital Fund (limited to \$10K per annum)"
- b. "PUC does not allow ESC to increase rates to cover a capital project until that project is completed and all invoices are submitted and approved." Didn't the PUC in order #20,390 allow for a capital reserve account for purposes of replacing the original sewer plant? Wouldn't it have been prudent to update the amount required to replace the plant in a timeframe consistent with the termination of its useful life? A mechanism similar to the ECA Capital Reserve Analysis and annual capital budgeting process would enable this.

RESPONSE: This is addressed in ESC Response to #7

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 11th day of September 2013 by BRIAN

HARDING, General Manager of the Eastman Sewer Company, Inc.

Gayle A. Burns
Notary Public/Justice of Peace
My Commission Expires:

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

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Eastman Sewer Company, Inc.

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Responses to Geraldine Logan Set 1b

Data Request Received: 08/13/13

Date of Response: 09/12/13

Request No. Geraldine Logan 1b-1

Witness: Maynard Goldman

REQUEST: Has the ECA/ESC evaluated whether or not the sale of the ESC assets and liabilities will be subject to NH Real Estate Transfer Tax? If so, what is the expected amount of the tax?

RESPONSE: RSA 78-B indicates that the tax shall not apply to a transfer to a Village District, but we are seeking an Opinion of Counsel..

Eastman Sewer Company, Inc.

DW 13-171

Responses to Geraldine Logan Set 1b

Data Request Received: 08/13/13

Date of Response: 09/12/13

Request No. Geraldine Logan 1b-2

Witness: Maynard Goldman

REQUEST: In the November 17, 2012 ECA forum Slide #7 which is captioned "Why we propose a New Structure" the slide contains a bullet that states "To begin to build a meaningful capital reserve fund" As President of the ECA Board and a member of the ESC Board, why have you not taken appropriate action to create a meaningful capital reserve fund? As you are aware, the ECA has had a comprehensive capital reserve analysis, (See attached FYE2014 Capital Reserve Analysis: 4 page sample USPS, complete report on email) capital reserve fund and capital budgeting process (see attached Capital Fund Overview and Budget: pg. 85 sample via USPS, complete report on email see pgs 84-90) for more than a decade.

RESPONSE: Since the purchase of the Sewer Company by ECA in 2001, it has been ESC's understanding that few, if any, regulated utilities in New Hampshire were allowed to have a capital reserve. Prior to the rate case filing in 2009, we were advised that one possible outcome of the rate case process might be a ruling that ESC would no longer be allowed to have a capital reserve. It has been the Sewer Company's method of operation to rely on the capital reserve for relatively small system improvements, such as pump replacements, and monitoring and control enhancements. Even if contributions to the capital reserve had been allowed to increase, major

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capital projects - such as those undertaken in 2009 and 2010 □ would have had to be funded through borrowing. It has always been our understanding that the PUC did not support or approve of significant capital reserves for utilities which it regulated.

Eastman Sewer Company, Inc.

DW 13-171

Responses to Geraldine Logan Set 1b

Data Request Received: 08/13/13

Date of Response: 09/12/13

Request No. Geraldine Logan 1b-3

Witness: Maynard Goldman

REQUEST: A 9/28/2011 ESC letter for the Eastman Sewer Board stated in the first paragraph of the topic: Future Considerations: □A 10-year Capital Improvement Schedule is being developed that we will share with you along with estimated costs and options for financing□ Where is that Plan, what is its current status and what annual review process do you observe to maintain current-ness and accuracy of that schedule?

RESPONSE: An updated Capital Project Schedule was presented at the December 2011 ESC Board meeting, and was included in the meeting packet. ESC Board meetings are open to all Eastman owners, and approved meeting minutes are posted on the Sewer Company section of the Eastman Community Association website. The Capital Project Schedule is updated annually, based on information provided by engineers, the licensed sewer operator, and expected available resources. The schedule has been shortened to a five-year horizon and focuses on projects which should be completed in the near term.

Eastman Sewer Company, Inc.

DW 13-171

Responses to Geraldine Logan Set 1b

Data Request Received: 08/13/13

Date of Response: 09/12/13

Request No. Geraldine Logan 1b-4

Witness: Maynard Goldman

REQUEST: Can you provide the audio recordings of the 7-24-13 Open forum?

RESPONSE: We did not record the July 24, 2013 open forum and are unaware of the existence of any recordings of the event.

Eastman Sewer Company, Inc.

DW 13-171

Responses to Geraldine Logan Set 1b

Data Request Received: 08/13/13

Date of Response: 09/12/13

Request No. Geraldine Logan 1b-5

Witness: Maynard Goldman

REQUEST: Has the ECA Board considered establishing a Sewer Committee whose purpose committee membership and voting rights would be modeled after the Eastman Golf Committee Charter (deleting Item E)? Article V, AUTHORITY:

- a. The Golf Committee's authority derives from Board policies and resolutions. The Board charges the Golf Committee with ensuring a satisfying golf experience and the realization of its Policy.
- b. The Golf Committee is elected by the Golf Members and represents them and all EGL players.
- c. The GC works with Management and the Council's Finance and Budget Committee to develop fees, and the annual operating and capital budgets.
- d. The Board approves the GC's bylaws, changes to bylaws, and annual budgets.
- e. Golf Committee members serve at the pleasure of the BOD.

RESPONSE: At their December 17, 2012 meeting the ECA Board expressed their support for the transfer of ESC assets and liabilities to the Village District of Eastman, and voted unanimously to authorize the General Manager to negotiate the transaction with the VDE. The

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majority of VDE Commissioners and VDE voters also voted in favor of the transfer. The original draft of the Memorandum of Understanding (for the transfer to VDE) prepared by the ESC suggested a three person Advisory Sewer Board to assist the Commissioners in their work. This idea was supported by the Commissioners in subsequent discussions. As to your reference to the Golf Committee Policy please note that the budgets and expenditures are all approved by the Board and that Committee members are also subject to Board approval.

Eastman Sewer Company, Inc.

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Responses to Geraldine Logan Set 1b

Data Request Received: 08/13/13

Date of Response: 09/12/13

Request No. Geraldine Logan 1b-6

Witness: Maynard Goldman

REQUEST: Would you be open to the creation of such a Sewer Committee for an interim period□ say three years□ to enable more direct participation on the part of the sewer users as to how the Eastman Sewer Company would best address this complex issue to more satisfy the needs of all parties? If not, why not?

RESPONSE: Please see response to question #5

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Eastman Sewer Company, Inc.

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Responses to Geraldine Logan Set 1b

Data Request Received: 08/13/13

Date of Response: 09/12/13

Request No. Geraldine Logan 1b-7

Witness: Maynard Goldman

REQUEST: Can you define the standing ECA Board rules regarding the protocol of ECA

Forums held at South Cove including:

- a. Are the meetings open to non-Eastman members, i.e. the public?
- b. Are the meetings posted in public sites?
- c. Are the meetings recorded and are the recordings made immediately available to the public?
- d. What "minutes" are published and exactly what is the criteria for creating and publishing the minutes?
- e. What is the timeframe for posting the minutes and what allowance is made for correction to those minutes?
- f. Given the above, is all documentation oral and written public as well as open and transparent conforming to the NH Right to Know law?

RESPONSE: Forums which are facilitated by ECA are held for Eastman owners and individuals who reside in the community (i.e., long-term renters). These forums are intended to foster a free exchange of questions, thoughts and suggestions. A set of "standing rules" would likely inhibit

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that exchange. The ECA Board has not established rules for forums that it hosts or sanctions.

Minutes are not taken nor is there any formal documentation of what is said. Those who attend are able to participate without concern for who else may be listening. As you have indicated we are a private organization and are not subject to rules of the Right to Know law. All of our members have an equal opportunity to participate in these events. Whether they choose to do so is their business.

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Eastman Sewer Company, Inc.

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Responses to Geraldine Logan Set 1b

Data Request Received: 08/13/13

Date of Response: 09/12/13

Request No. Geraldine Logan 1b-8

Witness: Maynard Goldman

REQUEST: If the ECA Board has chosen not to comply with the public's right to know, would you explain ☐ other than as a private entity it is not required ☐ why you think ECA members ☐ best interest is served by not complying?

RESPONSE: It is unclear why a member of the public who is not an owner in, or resident of, the private community of Eastman would have any interest in the goings-on within the community. For those who are owners and/or residents of Eastman, there are numerous ways to stay informed of community business, including the Eastman website with its extensive archives, the emailed weekly ☐ Highlights ☐ events calendar, monthly Board meetings, quarterly Council meetings, quarterly mailing of ☐ Eastman Living ☐ magazine, quarterly emailing of ☐ Eastman Happenings ☐ numerous forums on a wide range of topics, and occasional ☐ Coffees with the Board ☐ Any claims that Eastman does not adequately communicate with, or provide information to, its residents are not credible. I have no personal objection to non-members attending these meetings but do not believe that said persons would have any interest in such affairs except in very rare circumstances

Eastman Sewer Company, Inc.

DW 13-171

Responses to Geraldine Logan Set 1b

Data Request Received: 08/13/13

Date of Response: 09/12/13

Request No. Geraldine Logan 1b-9

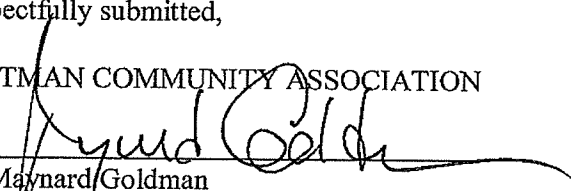
Witness: Maynard Goldman

REQUEST: In your position statement (7/2013) as a current candidate for ECA Board you stated in the fourth paragraph, last sentence "...the creation of a second Village District will be a great disservice to our members and could lead to divisions between the sewer users and others." Please explain why you think a second village district is a disservice to ECA members and lead to divisions between sewer users and others.

RESPONSE: The activity on the email List Serve and other related commentary over the past few months speaks for itself. Three separate votes is sufficient evidence of the division within the Community. Res ipsa loquitur (the thing speaks for itself)

Respectfully submitted,

EASTMAN COMMUNITY ASSOCIATION

By: 
Maynard Goldman
President, Board of Directors, Duly Authorized

STATE OF NEW HAMPSHIRE
COUNTY OF SULLIVAN

Subscribed and sworn to before me this 11th day of September, 2013 by MAYNARD

GOLDMAN, President, Board of Directors of the Eastman Community Association.

Gayle A. Burns
Notary Public/Justice of Peace
My Commission Expires:

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

Eastman Sewer Company, Inc.

DW 13-171

Responses to Robert F. Logan Set 1

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Robert F. Logan 1-1

Witness: William S. Weber

REQUEST: In your costing assumption presented at a ECA member "Open Forum" of 7/24/13 you stated "as much as \$8000 each year"(slide #10) will be saved in unnecessary audit cost.

Can you please provide the financial calculations as to how you arrived at that number?

RESPONSE: Since a separate sewer district will not be established as a result of the August 17, 2013 vote of registered voters in the proposed district, this question is moot.

Eastman Sewer Company, Inc.

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Responses to Robert F. Logan Set 1

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Robert F. Logan 1-2

Witness: William S. Weber

REQUEST: In your proposal to acquire the ESC you have indicated that you will maintain separate financial records as currently exist under ESC ownership. Given this approach, it would seem imperative that a precise audit on the separate waste water financials be performed insuring to the VDE constituents that the water costs and revenue are in no way commingled with those of the waste water system. How exactly will you realize the cost saving you have stated above, given that the water works audit would most likely entail the same audit work (if not more) than it requires today?

RESPONSE: The water division of the proposed dual purpose district will engage a separate and distinct audit and expense from the waste water division, which will also be treated as separate and distinct for auditing purposes. The Village District of Eastman, (VDE) audit must adhere to [Governmental Accounting Standards Board] accounting practices. Generally New Hampshire Revised Statutes Annotated 52.

Specifically, Department of Revenue Administration, (DRA) Chapter 2000 [Financial Accounting for Village Districts] the VDE will be treated as one enterprise with two separate and distinct funds, see [Rev 2001.09, Rev 2002.01, 2002.02 (b) (1) (2), Rev 2004.01, Rev

2005.05 Source 3400: Revenues From Charges for Services (b) and (c), water and sewer respectively, and specifically Rev 2006.04 Function Sanitation (e)1, and 2(f)□

Eastman Sewer Company, Inc.

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Responses to Robert F. Logan Set 1

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Robert F. Logan 1-3

Witness: William S. Weber

REQUEST: Exactly how will you differentiate the general and administrative costs for the sewer utility vs. that of the water utility?

RESPONSE: This question is duplicative. See answer to data request 1-2..

Eastman Sewer Company, Inc.

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Responses to Robert F. Logan Set 1

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Robert F. Logan 1-4

Witness: William S. Weber

REQUEST: It is our understanding as stated in the CLD Capital Improvement Study of March 2008 that the sewer mains/piping have reached or passed their useful life. Significant portions of the mains parallel the Eastman Lake and are in some cases within 40-60 feet of the lake. All parties state they have an overriding concern of lake "damage" being a current high risk. Why has the VDE failed to perform your own independent and comprehensive engineering analysis prior to any legal ownership change regarding the Eastman Sewer Company?

RESPONSE: An independent analyses would only serve to confirm what is already known, from the following sources; the CLD Capital Improvement Study of March 2008, "Appraisal Eastman Sewer Company" conducted by Normand Bernaiche, December of 2011, (page 19), Water System Operators ongoing inspections, and information provided by Underwood Engineers.

Engineering studies are expensive and "best estimates" without fully exposing the infrastructure, which is currently not an option without a significant amount of funding which, if available, would be better spent in needed repairs. There is no dispute that some of the piping

Exhibit #16

that has been videoed indicates there are some areas that might need attention and other areas that may last an indefinite amount of time under proper maintenance and oversight.

Eastman Sewer Company, Inc.

DW 13-171

Responses to Robert F. Logan Set 1

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Robert F. Logan 1-5

Witness: William S. Weber

REQUEST: Wouldn't such an evaluation, if done immediately prior to acquisition, allow or define the validity of such concerns?

RESPONSE: Based on the information currently available to the VDE there is no need to further study the deficient areas of the system. An engineering evaluation at this point would only serve to prioritize the needed repairs, which has already been completed, See Eastman Sewer Company Capital Projects Schedule, Version September 2013 available at the ECA/ESC office during regular business hours Monday through Friday 8:00 AM to 4:30 PM.

Eastman Sewer Company, Inc.

DW 13-171

Responses to Robert F. Logan Set 1

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Robert F. Logan 1-6

Witness: William S. Weber

REQUEST: The failure of the buyer or buyer's agent to perform Due Diligence implies that the buyers are accepting the sewer capital in an "as is" agreement. Why does your agreement in the signed Purchase and Sale waive what is standard criteria in almost all acquisitions even in "simple" home purchases?

RESPONSE: The VDE has performed the necessary Due Diligence and has been updating the information as circumstances dictate. A copy of the entire Due Diligence package has been available since May 2nd, 2013 at www.eastmanh2o.org or at the VDE office during regular business hours Monday through Friday 8:00 AM to 4:30 PM.

Eastman Sewer Company, Inc.

DW 13-171

Responses to Robert F. Logan Set 1

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Robert F. Logan 1-7

Witness: William S. Weber

REQUEST: In the January 9, 2013 Special Meeting of the VDE Commissioner Wood stated □ have been asked whether a new separate district for sewer services could hire the staff of the Village District on a contract basis to provide various services, such that the two utilities could operate in a coordinated manner, but remain as separate district entities. The simple answer is YES. □ In the Slide presentation of 7/24/13 Slide #10 states □ The VDE has made no commitment to provide services to a separate district. □ Why do you say in the January minutes that you could provide services and you now refuse to provide these services. What is the rationale behind your position?

RESPONSE: Since a new separate sewer district has been rejected by a vote of registered sewer users on August 17, 2013, the question is moot. However, we would like to respond to the question.

Commissioner Wood states in his remarks at the January 9, 2013 special meeting of the VDE that he had □ been asked whether a new separate district for sewer services could hire the staff of The Village District on a contract basis to provide services.... □ He was speaking for

himself, since at no time have the VDE Commissioners voted to make a commitment to provide services to a separate district.

Eastman Sewer Company, Inc.

DW 13-171

Responses to Robert F. Logan Set 1

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Robert F. Logan 1-8

Witness: William S. Weber

REQUEST: Why have you failed to have an independent accounting firm (with no affiliation to the seller) perform an independent financial evaluation of the ESC financial information? As you are probably aware, there are areas of judgment even within GAAP that can allow for considerable differences in evaluation of the financial state of a for profit entity. Enron was a high profile example of this however it occurs with companies of all sizes in all industries for all kinds of reasons, some valid.

RESPONSE: The expense associated with having another accounting firm evaluate the financials of the ESC was not justified given that all financial reporting for the ESC audit and annual report is done numerous times by more than one CPA firm, for internal control, public records, Public Utilities Commission, Federal Taxation Form 1120 U.S Corporation Income Tax Return, and the New Hampshire Department of Revenue Administration Utility Property Tax information Update.

In the twelve years the Eastman Sewer Company has existed there has never been a challenge to its finances or record keeping. Given the strict financial oversight coupled with the diligent financial management of the ESC there would be no way to defend any cost to the VDE

customers given the history and transparency of the ESC finances. All -2001-2012 ESC financial information is available at www.eastmannh.us or at the ECA office during normal business hours 8:00 AM-4:30 PM Monday through Friday.

The VDE takes no position regarding the interpretation of GAAP "Generally accepted accounting principles"

Eastman Sewer Company, Inc.

DW 13-171

Responses to Robert F. Logan Set 1

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Robert F. Logan 1-9

Witness: William S. Weber

REQUEST: Paragraph 6.04 of the signed VDE/ECA/ESC Purchase & Sale Agreement of 5/29/13 stipulates that "In the event that VDE discontinues its operation and maintenance of the sewer system, for any reason, ECA shall be given the first option to re-acquire the sewer system for one dollar (\$1.00) etc. Can you please explain why you agreed to grant ECA a "most favored" buyer status?

RESPONSE: This clause was inserted as a courtesy to the community given that the ECA was the only entity that existed that was in a position pre, and now post Purchase and Sales execution, that could obtain or re-acquire the sewer operation.

Eastman Sewer Company, Inc.

DW 13-171

Responses to Robert F. Logan Set 1

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Robert F. Logan 1-10

Witness: William S. Weber

REQUEST: Given plans and expectations that ESC property owners have paid or will be liable to pay at least \$2 million dollars for sewer planned capital improvements in a 10 year period commencing in 2010, why did you negate their right to acquire for the stated \$1 (as stated in Paragraph 6.04 of the VDE/ECA/ESC Purchase and Sale Agreement of 5/29/13)?

RESPONSE: The planned capital improvements outlined and recommended by Underwood Engineering in their September 2013 report to the ESC combined with the "Eastman Sewer Company Capital Project Schedule" dated September 2013 only totals \$1.305 million dollars for capital projects planned for 2014 through 2017. See answer to data request 1-5.

There has been no right negated of any entity through the date of the Purchase and Sale, as no entity existed on that date, May 29th, 2013 that could have a more preferred status than that of the ECA.

Eastman Sewer Company, Inc.

DW 13-171

Responses to Robert F. Logan Set 1

Exhibit #16

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Robert F. Logan 1-11

Witness: William S. Weber

REQUEST: Have you benchmarked the VDE General & Administration costs vs. comparably equal water utilities? If not, why not?

RESPONSE: Given that each municipally owned water utility has varied and unique needs specific to their individual operation there is no formula to gauge where the VDE might fit if there were some sort of barometer for this information.

The oversight by state regulatory agencies such as the DRA, and DES combined with our yearly audit and daily checks and balances of our financial position is indicative of "normal" revenues and expenses, inclusive of general and administrative costs for a utility the size of the VDE.

Eastman Sewer Company, Inc.

DW 13-171

Responses to Robert F. Logan Set 1

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Robert F. Logan 1-12

Witness: William S. Weber

REQUEST: Assuming the benchmark analysis has been performed, could you provide that analysis and could you explain any significant deviations (i.e. greater than 20%)?

RESPONSE: No such analyses has been performed. See answer to data request 1-11. William Weber determined that no such analyses or document exists.

Eastman Sewer Company, Inc.

DW 13-171

Responses to Robert F. Logan Set 1

Data Request Received: 08/12/13

Date of Response: 09/12/13

Request No. Robert F. Logan 1-13


Witness: William S. Weber

REQUEST: How many properties are paying the VDE precinct tax that are not receiving any VDE services and what are their names and tax amounts?

RESPONSE: This question is irrelevant to the issue of the VDE acquisition of ESC assets and liabilities.

Respectfully Submitted,


VILLAGE DISTRICT of EASTMAN

By: 
William S. Weber
General Manager, Duly Authorized

STATE OF NEW HAMPSHIRE
COUNTY OF SULLIVAN

Subscribed and sworn to before me this 11th day of September 2013 by William S.

Weber, General Manager, Village District of Eastman


Notary Public / Justice of Peace
My Commission Expires:
GAYLE A. BURNS
Notary Public - New Hampshire
My Commission Expires December 9, 2014