

ORIGINAL	
N.H.P.U.C. Case No.	DW 13-171
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Witness	Panel 1
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Eastman Sewer Company, Inc.

DW 13-171

Responses to Staff Set 1

Data Request Received: 08/29/13

Date of Response: 09/12/13

Request No. Staff 1-3

Witness: William S. Weber

REQUEST: Please comment on what plans the VDE has for funding sewer capital improvements over the next five years, including a discussion of alternative financing sources.

RESPONSE: The current options for funding capital improvements are; 1) New Hampshire Department of Environmental Services Clean Water State Revolving Funds, (CWSRF), 2) Conventional bank financing, 3) Drawing at the appropriate time from future capital reserve accounts, 4) The ability of the VDE to bond another \$1.5 million in the event of absolute necessity and, 5) Emergency borrowing allowed by statute.

1) The CWSRF is a low interest 5-20 year term fund setup for municipal waste water infra-structure repairs and improvements administered by the NHDES. (New Hampshire Revised Statutes Annotated, Section 33:5-d) Applicant's projects are rated on a variety of input, such as type of improvements, affordability, compliance, and the overall benefit to the system and community when complete. In June 2013, the VDE requested that the ESC complete a pre-application for a CWSRF loan. In July 2013, the ESC was notified that they had ranked high enough to be considered for funding. However full eligibility would not be recognized unless or

until the sewer operation is a public entity and the authority to borrow was satisfied by a district vote. (See Attachment 6-application and ranking).

The VDE has already successfully completed an SRF project through the Drinking Water State Revolving Fund, (DWSRF). The project consisted of rehabilitating one of the VDE water sources and other additional work that may not have been possible without the DWSRF. The project was delivered on time and under budget, saving the community additional interest expense over the term of the loan.

2) The VDE has worked with several banks over the years on various projects and continues to maintain a healthy relationship with them. Currently the VDE has a \$1.9M commitment with the Lake Sunapee Bank; this relationship was the basis for the \$280K bond commitment that was necessary for the VDE to acquire the ESC debt at the time of closing. Loans offered to the VDE by in state banks are enhanced with a municipal rate that is lower than commercial rates.

3) As Capital Improvement Accounts continue to grow over time, a portion of them may be utilized to undertake smaller projects and upgrades without the need for conventional financing. The VDE has successfully utilized this method, never spending down an account below a certain balance, this allows for unplanned or emergency repairs/improvements. By utilizing the "Capital Reserve Fund" type of savings accounts, the customers of the district are able to set aside money for future expenses and thus avoid loans and bonding of smaller amounts when interest rates may not be as attractive as they are currently. These monies are held in trust and invested by the "Trustees of the Trust Funds" and are fully insured.

4) The statutory village district debt limit is found in; NHRSA 33:4-a Debt Limit, Municipalities. The limit is 1% of the total property valuation of the district. As of December

2012 that valuation was \$344M , the current VDE bonding capacity is \$3.4M less \$1.9M committed to Lake Sunapee Bank or \$1.5 M. This capacity is more than enough to cover all of the repairs and upgrades if done as one project at the same time, however, it would not be in the best interest of the district to borrow at or near its capacity. The ability to borrow this amount speaks to the fact that the district has been fiscally responsible and has always planned projects, accordingly.

5) In the event all of the above financing options are unavailable, the district could utilize the authority granted by (NHRSA 33:6 Emergency Borrowing), This statute authorizes emergency borrowing over and above the statutory limit of 1% of total property valuation of a village district which is not counted against the VDE's borrowing capacity. This option would only be considered in an extreme emergency.

The funding of capital improvement projects must be offset with revenues that are in line with utilities of the same or similar size. The rate increase adopted by the voters at the 2013 annual meeting keeps the Eastman Sewer usage fee still well below state averages. The increase was proposed to primarily fund the new capital accounts for future operations and maintenance.

The estimated costs required to complete the different phases or portions of the proposed sewer upgrades are listed as the "impact per unit" in the Underwood Engineer report of January 4, 2013 "Appendix E".