

THE STATE OF NEW HAMPSHIRE

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January 14, 2013

Debra A. Howland, Executive Director
New Hampshire Public Utilities Commission
21 S. Fruit St., Suite 10
Concord, NH 03301

Re: DW 12-370 Eastman Sewer Company, Inc.
Capital Reserve Fund Request
Staff recommendation to Approve Request

Dear Ms. Howland:

On December 14, 2012, the Commission received a request from Eastman Sewer Company, Inc. (Eastman) for authorization to use \$9,032.34 from Eastman's capital reserve fund. These funds are to be used to pay the remaining expenses related to Eastman's ongoing analysis of its compliance issues with the discharge of treated effluent in its sewage treatment process, as well as for costs of needed new equipment. After review, Staff recommends approval.

Twice earlier this year, in Docket No. DW 12-157 and in DW 12-290, the Commission provided approval by way of secretarial letter for use of capital reserve funds for this project. The project involves evaluation of compliance alternatives necessary as a result of the failure of Eastman's existing sewage treatment system to meet the criteria in its Groundwater Discharge Permit issued by the New Hampshire Department of Environmental Services (DES). Eastman's filings and Staff's recommendation letters filed in both dockets contain additional detail on this work. The instant request involves final payment to Underwood Engineers for its evaluation of Eastman's treatment and disposal process. This request also seeks funds to pay Water System Operators, Inc. for new equipment needed within Eastman's sewage treatment process. This equipment includes two lagoon blowers, needed for proper aeration in the treatment process, one associated blower motor, and a Dissolved Oxygen probe for measurement of dissolved oxygen in influent and effluent flows.

At the time of its September filing in DW 12-290, Eastman anticipated that it would be seeking additional authority to use funds from its capital reserve fund for the remaining expenses

for the compliance evaluation project. Staff has confirmed with Eastman that this request is the final request for use of capital reserve funds for this purpose. Underwood Engineers has issued a final report with respect to its evaluation of potential treatment and disposal improvements. Eastman has provided a copy of this report for Staff's review. The Eastman Sewer Company Board of Directors will be considering the recommendations in this report including possible design engineering for a new drip dispersal system. In this event, Eastman will likely negotiate a new contract with Underwood for this purpose, and future requests for additional withdrawals from the capital reserve fund will be made. As of the date of Eastman's filing in this docket, the fund balance is \$38,573.

Eastman's capital reserve fund was established by Commission order in 1992 when rates were first set for Eastman, as a way of addressing Eastman's undercapitalization. Eastman is required to seek Commission authorization for use of these funds.

As the requested withdrawal is to be used for capital expenditures as originally intended by the Commission in 1992, Staff believes the use of the funds for the intended purposes is appropriate. Staff recommends approval of Eastman's request.

If there are any questions regarding this, please let me know.

Sincerely,

A handwritten signature in blue ink that reads "Mark A. Naylor". The signature is written in a cursive style with a large initial "M" and "N".

Mark A. Naylor
Director, Gas & Water Division