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PUBLIC UTILITIES COMMISSION
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May 31, 2013

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

Re: DW 13-134 Eastman Sewer Company, Inc.
Capital Reserve Fund Request
Staff Recommendation to Approve Request

Dear Ms. Howland:

On May 3, 2013, the Commission received a request from Eastman Sewer Company, Inc. (Eastman) for authorization to use a total of $16,371.21 from Eastman's capital reserve fund. This amount is to be used for four capital expenditures made in Eastman's sewer system. These capital expenditures have already taken place, and Eastman seeks to reimburse its operating funds. After review, Staff recommends approval.

Eastman indicates that, during the audit of Eastman's 2012 financial statements, Eastman's outside audit firm noted that two items charged to expense during the year should have been capitalized. The first is an amount of $962.50 in payment of a replacement manhole frame and cover. The second is for the installation of new shingles on a company building, costing $3,200. Eastman requests that, since these costs were appropriately reclassified to capital accounts, they are eligible to be paid out of the reserve fund.

Thus far during 2013, Eastman has incurred capital costs for which it now seeks to use the reserve fund. The first, costing $2,354.14 is for replacement of a pump at the West Cove B pump station. The second is also for a pump replacement, a much larger pump for the company's West Cove A pump station costing $9,854.57.

Staff believes that Eastman's use of the reserve fund as requested herein is reasonable and is for the original purpose the fund was established. While authorizing use of the reserve fund for past expenditures may be unusual, the original 1992 order does not specifically require Eastman to submit proposed capital expenditures to the Commission for review. The requirement is that the Commission be notified. Staff does believe, however, that it is a logical step that the company notify the Commission prior to committing to capital expenses for which it intends to seek use of capital reserve funds, so that the Commission can evaluate that the use of the funds for capital expenses (as opposed to operating expense) is the intention.

As the requested withdrawal from the reserve fund 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. The company indicates that the current fund balance is $34,413. Staff recommends approval of Eastman's request.

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

Sincerely,

Mark A. Naylor

Mark A. Naylor
Director, Gas & Water Division