

THE STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DW 13-171

IN RE EASTMAN SEWER COMPANY, INC

Sale of Assets and Liabilities to the VILLAGE DISTRICT OF EASTMAN

PRE-FILED TESTIMONY OF ROBERT LOGAN
MEMBER OF THE VILLAGE DISTRICT OF EASTMAN

NOW COMES, ROBERT LOGAN, Member of the Village District of Eastman, and submits the following PRE-FILED TESTIMONY

Pre-Filed Testimony of Robert Logan, Member of the Village District of Eastman

1. Q. What is your name and relationship to the Village District of Eastman?
2. A. My name is Robert Logan and I have been a member of the Village District since its inception in 1981. I am also a 40-year owner/resident of Eastman during which period I have served on the Council more than 12 years, lived in 2 different “Special Places” and served on numerous committees.
3. Q. What are your qualifications?
4. A. I have a B.B.A. and an M.B.A. and for more than 45 years I have been in US and international management and leadership positions. My responsibilities since 1973 have been COO, Director or similar positions both in the US and Europe. In these positions I have been responsible for the financial and operational functions for numerous businesses. This has included mergers and acquisitions. Since 1993 I have operated two consulting businesses addressing owners and company presidents (both for profit and non-profit) on key financial and operational decisions including more than 15 acquisitions and mergers.
5. Q. Does the broad spectrum of Eastman Community support the transfer of assets of the Eastman Sewer Company to the Village District of Eastman?
6. A. No. All Eastman residents were not permitted to vote directly on the proposed sale (only registered VDE voters) nor were adequate informational sessions in a public facility

provided that would have allowed for proper due diligence on the part of members. Furthermore, full disclosure of at least 3 viable options was not done in an open and transparent sessions. The “so-called” ECA Open Forums are not documented consistent with public disclosure requirements and recordings are not available. The documentation of the Forum meetings, which is suggested to be minutes, is in fact a liberal interpretation of what was said at the meeting. For the meeting of November 17, 2012, the meeting document was written by proponents of the ESC sale to VDE. No validation is done or required vs. a recording of the meeting.

7. Q. Do you believe that this transaction is in the public interest?
8. A. No. The public interest would best be served if the PUC required that all meetings regarding the acquisition of the Eastman Sewer Company are public and are held in a public facility. Furthermore, all meetings need to be bound by the disclosure, participation and attendance regulations that are required for public matters and meetings.
9. Q. Based on your merger and acquisition experience, what observations would you make of what has occurred so far between the VDE, the ECA and the ESC?
10. A. It is my perspective that to date, the actions of the VDE Commissioners and General Manager are more consistent of what one would expect of a “seller’s” agent. This perspective is based on:
 - a. The produced financial audits are done by the ESC’s auditor who happens to be the ECA Board’s chosen auditor. This auditor also files the Tax returns for the “seller” the ECA.
 - b. The consulting engineering reports provided were all performed on behalf of the seller and at least one is outdated. That report is a comprehensive Capital Improvement report submitted by CLD Consulting Engineers on March 2008. It seems of limited current merit in evaluating making an acquisition decision 5 years later. Subsequent Consulting Engineering Reports (by Underwood Engineering) are almost entirely focused on the waste water issues-- (Many of these issues existed in 2001 when the community acquired the Eastman Sewer Company.) they, therefore are limited in scope and are not adequate to evaluate the complete current capital status of ESC.

- c. The Capital Reports are all produced by the seller. It is standard practice for a buyer, in acquiring capital assets to perform their own independent capital valuation due diligence.

In short, neither I nor any VDE member, to my knowledge has been provided with an independent “buyer” financial, engineering evaluation, nor has the buyer developed a comprehensive 5-year forward capital plan.

Furthermore, I would recommend that the PUC require the following information and voting process to be funded by ECA:

- d. Mandate two information public sessions for sewer users at a public site, of full disclosure of the Due Diligence requests that I made to the VDE commissioners between February and June 2013 which include—
 - i. a thorough and open independent finance and expense evaluation of the sewer company’s current financial capital and operational health performed by an independent accounting firm with concurrence on the selected firm by the Coalition of Sewer Users.
 - ii. an independent and respected engineering firm's comprehensive assessment of all existing ESC's capital, all known future state and federal requirements that could necessitate additional capital funding for the next five years with concurrence on the selected firm by the Coalition of Sewer Users.
 - iii. an independent 5-year forward Capital Plan. The vast majority of the sewer system capital infrastructure is more than 40 years old—past its useful life developed with equal partnership on the part of the Coalition of Sewer Users.
- e. Mandate a comprehensive ECA proposal to upgrade the 42 year old capital components of the ESC sewer system. The ECA needs to consider partially funding, for a 3-year period, a reasonable portion of the Sewer Company capital infrastructure.
- f. Mandate a vote on the part of all sewer users as to an acceptable solution for a workout solution to improve the current ESC Financial and Capital status

- g. Recognize the “Coalition of Sewer Users” as representing the interests of some of the ESC users and fully involve their representatives in all communications and negotiations
- h. In addition, no incremental ECA member special assessments would be allowed during this 3-year period. Incremental sewer owner assessments would be permissible.
- i. Mandate that Eastman Sewer users have the exact same governmental privileges as it pertains to the Eastman Sewer Company; which the ECA Board has given to the Eastman Golf members, (regarding another community asset: Golf Course/Center acquired similarly from the CEC in 1981) specifically
 - i. Directly elect commissioners of the Sewer Company
 - ii. The Sewer commissioners would be directly accountable to the sewer members for its actions
- j. Sewer users would be granted the same voting rights in the independent sewer municipality as the VDE members have today for capital and operating expenses commencing immediately.

Respectfully Submitted,

By: _____

Robert Logan