

MEMORANDUM OF AGREEMENT

This Memorandum of Agreement is entered into this 20th day of March, 2013 between the following parties:

A. Eastman Community Association ("ECA"), a New Hampshire not for profit corporation having a principal place of business in Grantham, NH.

B. Eastman Sewer Company ("ESC"), a New Hampshire for profit corporation having a principal place of business in Grantham, NH.

C. Village District of Eastman ("VDE"), a village district organized under the provisions of RSA 52 and having its principal place of business in Grantham, NH.

WHEREAS, ECA is the homeowner's association for owners within the Eastman development ("Eastman") located in the towns of Grantham, Springfield and Enfield, NH; and

WHEREAS, ESC is wholly owned by ECA and is a New Hampshire public utility company which is regulated by the New Hampshire Public Utilities Commission ("NH PUC") which provides sewer services to some of the homeowners within Eastman, all of such homeowners being within the VDE; and

WHEREAS, VDE provides potable water to most of the homeowners within Eastman; and

WHEREAS, VDE is authorized to operate sewer facilities and it is the mutual objective of ECA and VDE to transfer certain assets of ESC to VDE so that VDE can assume sole responsibility for the operation and maintenance of the sewer operation within Eastman to those homeowners who are currently provided sewer services by ESC;

NOW, THEREFORE, the parties agree as follows:

1. ECA, ESC and VDE shall, within a reasonable time following the execution of the within Memorandum of Agreement - and contingent upon (a) approval, by the voters of the VDE at the 2013 Annual meeting, of the purchase of the Eastman Sewer Company and Waste Water Operations Budget, and (b) if no previously undisclosed deficiencies are indentified during the due diligence process - enter into a Purchase and Sale Agreement ("PSA") for the

de-regulation order being a condition to the closing and transfer contemplated herein.

E. ECA shall, post closing, continue to pay to Lake Sunapee Bank ("LSB") the amount due according to the loan documents with respect to the original \$380,000 loan made to ESC which is guaranteed by ECA, unless and until VDE re-finances and/or pays off that loan entirely, as set forth in Paragraph 4(B) below. The parties acknowledge that ESC may continue as a corporate entity post closing as the obligor on this loan with ECA.

F. ESC shall permit VDE to inspect its records, contracts, operational leases, if any and permits as part of VDE's due diligence.

G. Pre-closing, ESC shall keep VDE informed of the status of the potential purchase of the Heidenblad property and shall cooperate with VDE pre and post-closing to purchase by the ECA that property, provided that the parties can reasonably negotiate the terms and use of that property for the future expansion of the sewer system and other uses by the ECA. A copy of the pending appraisal will be provided to the VDE as soon as it is available. If such purchase occurs, ECA shall convey to VDE such easement or other appropriate rights in said property as will enable its use for sewer expansion purposes.

→ H. ECA shall pay all costs related to the preparation, negotiation, planning, transfer and closing contemplated herein with the exception of any costs which are statutorily required to be paid by VDE.

I. ESC shall notify the VDE prior to incurring any further debt or assuming any account(s) payable over and above the previously approved 2013 budget adopted by the ESC dated January 15th 2013

4. VDE shall:

A. Post closing provide access to ECA and its employees to the restroom which is located at the West Cove B pump station. ECA will maintain the said restroom in a clean and serviceable condition.

B. Post closing VDE shall, if authorized by a 2/3 vote of its voters, assume responsibility for the payment of the LSB loan

(B)

DW 04-013

EASTMAN SEWER COMPANY, INC.

Staff Investigation into Over-earnings

Order Approving Stipulation Agreement

ORDER NO. 24,368

September 2, 2004

APPEARANCES: Stephen P. St. Cyr for Eastman Sewer Company, Inc.; and Amy L. Ignatius, Esq. for Staff of the New Hampshire Public Utilities Commission.

I. BACKGROUND

On January 29, 2004, the New Hampshire Public Utilities Commission (Commission) opened an investigation into the earnings of Eastman Sewer Company, Inc. (Eastman). Commission Staff (Staff) stated in a memo dated January 29, 2004, that a review of Eastman's 2001 and 2002 Annual Reports to the Commission showed that Eastman was earning a return greater than the last return authorized by the Commission. Staff also reported that it had held informal discussions with Eastman regarding its apparent over-earnings, which initially centered on a restructuring of the components of Eastman's rates to customers. Eastman's current rate comprises an amount for operation of the sewer system as well as an amount for a capital reserve fund, as approved by the Commission in Eastman's initial rate case in DR 90-170. Staff indicated, however, that Eastman preferred to initiate a project to locate, inspect and clean its sewer mains as a way of reducing or eliminating its over-earnings.

On June 25, 2004, Staff advised the Commission that it had reached a Settlement Agreement (Settlement) with Eastman in order to eliminate its over-earnings position. On July 9, 2004, the Commission issued an Order of Notice, establishing a hearing on the Settlement for August 17, 2004.

II. SETTLEMENT AGREEMENT

Mark A. Naylor, Director of the Commission's Gas & Water Division, and Stephen P. St. Cyr, consultant for Eastman, jointly testified in support of the Settlement. The Settlement sets forth the background of the Staff's review of Eastman's earnings, which is summarized below.

Staff had determined through a review of Eastman's 2002 Annual Report that Eastman had achieved a rate of return on its rate base of 38.68% for that year. In Eastman's only rate proceeding, DR 90-170, Eastman had been authorized to earn a rate of return of 11.14%. *Eastman Sewer Company, Inc. 77 NH PUC 93 (1992)*. Staff requested a meeting with Eastman to discuss its earnings, and as a result of that meeting learned that upon the sale of Eastman to the Eastman Community Association (ECA), approved by the Commission in DW 00-153, Eastman had significantly reduced its operating expenses. Mr. St. Cyr testified that the ECA was charging the utility significantly less in management fees than had the previous owner. As a result, the utility's net operating income was significantly higher, resulting in over-earnings.

Mr. St. Cyr testified that Eastman and Staff had discussed reducing rates to customers, but considering that Eastman's current customer rates of \$224 annually are low, and that Eastman had system improvement needs to consider, Staff and Eastman developed the Settlement to resolve the issue in another fashion. 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. Because of this additional expense, it is expected that Eastman's return on rate base would be reduced to approximately 12%, which is in line with the

rate of return last authorized for Eastman, 11.14%. 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. In that event, Staff and Eastman acknowledge that other actions may be needed if Eastman were to begin to over-earn again.

At hearing, Mr. Naylor and Mr. St. Cyr also discussed the existence of Eastman's capital reserve fund, established in Order No. 20,390 in DR 90-170. That fund was established by the Commission in order to address the Commission's concerns that the utility might be undercapitalized due to the small rate base approved by the Commission for Eastman. Eastman is required to deposit the amount of \$10,010 annually into a capital reserve fund for meeting future capital needs of the sewer system. This amount is part of the utility's revenue requirement collected through rates from its approximately 525 customers. Eastman may use these funds only with advance notice to the Commission. The Settlement specifically provides that the cost of locating, inspecting and cleaning be paid from revenues derived from customers, and not from funds deposited to the capital reserve fund. At hearing, the witnesses agreed that, in the event the project revealed a need for a major repair to the system, Eastman could request approval from the Commission to use capital reserve funds for that purpose.

III. COMMISSION ANALYSIS

At hearing the witnesses explained the maintenance process that is the heart of the Settlement, namely the locating, inspecting and cleaning of Eastman's sewer mains. Considering that Eastman's witness indicated that Eastman does not have maps which fully detail the location of all sewer mains, this is an important project to ensure future system reliability. Furthermore, conducting this project over a 10-year span allows Eastman to spread the cost over that period,

thus reducing the impact of the total cost of the project if it were to be conducted all at once. Accordingly, we find the Settlement Agreement presented by Staff and Eastman is a reasonable approach to the over-earnings of Eastman.

We acknowledge that Eastman's rates to its customers remain as first established by this Commission in 1992, and we note that the Eastman Community Association has assisted in keeping costs down to Eastman's ratepayers. We accept the testimony of the Staff and Eastman witnesses as to the necessity of the locating, inspecting and cleaning project. We therefore approve the Settlement Agreement as a reasonable means of substantially eliminating Eastman's over-earnings while at the same time increasing the overall reliability of the sewer system.

Based upon the foregoing, it is hereby

ORDERED, that the Settlement Agreement presented by Staff and Eastman Sewer Company, Inc. is APPROVED.

By order of the Public Utilities Commission of New Hampshire this second day
of September, 2004.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Attested by:

Michelle A. Caraway
Assistant Executive Director



Eastman Sewer Company. in.

DW 13-171

Responses to Schaefer/Van Dolah Set1 (ESC)

Data Request Received: 08/29/13

Date of Response: 09/12/13

Request No. Schaefer/Van Dolah 1-2 (ESC)

Witness: Brian Harding

REQUEST: According to PUC Order 24,368 September 2, 2004, the PUC ordered ESC to undertake a ten-year program of examination of and mapping of all the sewer lines owned by ESC. The anticipated cost of this project was \$15,000 per year.

"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 provide copies of all the bills for the inspections and all the required reports. What percent of the project has been completed to date and when will it be totally completed? Was the inspection project ever discontinued or interrupted? If so, please provide a copy of the notification to the PUC of discontinuance or interruption. Furthermore, if the project has been discontinued or interrupted, please explain why that was in the public interest.

RESPONSE: The Eastman Sewer Company takes very seriously its commitment to maintain the sewer system. During the period of July 2004 to December 2011, ESC has cleaned and video inspected miles of sewer lines. This work has encompassed 24 separate days of work, by three different contractors, in six different years. Other priorities and limited operating funds

prevented this work from being done every year. As shown on the attached invoices (see Attachment 1), a total of \$65,726 has been spent by ESC in the cleaning and inspecting of the lines since 2004. The areas which have been cleaned and inspected were selected at the recommendation of ESC's licensed operator, Water System Operators, Inc. (Henniker, NH). Water System Operators retains the detailed reports and video footage of the work completed by the independent contractors. To the best of our knowledge, no reports which detail this work have been submitted to the PUC by ESC, nor any notification for the years in which this work was not conducted. This was an unintentional oversight on the part of the Eastman Sewer Company.

Why we propose a new structure?

- To eliminate PUC regulation and reduce costs
 - eliminate professional fees related to rate increases or borrowing
 - Reduce the administrative costs in time and money (Brian and Gayle)
 - reduce costs associated with running a separate company
- To begin to build a meaningful capital reserve fund
- To be able to apply for state low interest loans (can't as a for-profit company)
- To streamline the timetable for necessary improvements to maintain and protect our aging infrastructure

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What is the proposed new structure?

Fold the ESC into the existing Village District of Eastman (VDE) municipality

We explored three alternatives:

1. Dissolving the ESC and making it a department within ECA
2. Starting a separate, new municipality
3. Combining with the VDE

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1. Dissolving the ESC and making it a department within ECA

- ESC would no longer be a for-profit company
 - PUC said there is no guarantee that this would eliminate regulation
 - There would be an asset transfer tax of about \$14,000
 - No potential \$ savings
- Making the sewer company a municipality is a better option.

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2. Starting a separate municipality

- Released from PUC regulation
 - Duplication of administrative tasks and costs
 - Duplication of elected officials
 - Duplication of annual reports and annual meetings
 - There would be only 107 voters in this municipality (70% of the sewer users are not registered in Grantham.)
 - Cost savings would be minimal
- It would be a mirror image of the VDE

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3. Combining with the VDE

- VDE's current charter includes "construction, operation, and maintenance of sewage and waste treatment plants"
- One District responsible for the flow of water from extraction to disposal
- VDE software already has ability to include separate entities
- Reduced administrative expenses for sewer operations
- One annual report, one annual meeting, one set of officers
- One billing with separate water and sewer components

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The VDE would appoint a Sewer Advisory Board.

- Oversight responsibility for all sewer operations, capital projects, and finances
- Develop the yearly budget and control a multi-year capital improvement plan
- Provide VDE commissioners with a monthly summary of projects and financial status
- Make recommendations to VDE commissioners

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Specific language would be included in the agreement to ensure that:

1. Users of the sewer system will continue to be solely responsible for expenses related to sewer operations and capital improvements.

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2. That all funds generated by sewer user fees or by borrowing remain within separate VDE accounts not comingled with water-related accounts.

These funds will be dedicated only to sewer operations, improvements, capital reserve additions, or debt reduction.

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3. Any funds that may need to be appropriated for sewer system capital projects would be the responsibility of sewer users and collected through increased rates or by the town of Grantham.

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The following groups have given us preliminary support to continue the process of this proposal:

- PUC
- NHDRA
- ECA Board of Directors
- VDE Commissioners

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History and background of the Village District of Eastman (VDE)

- Water system constructed and operated by the developer from 1972 through 1980
- In 1981, the three towns agreed to create a municipal district that overlays portions of the three towns
- The district could be managed and operated as a municipal entity, outside of the control of the PUC
- The VDE has elected Commissioners and holds an Annual District Meeting to adopt a budget, which includes user fees and property taxes to raise revenue

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Village District of Eastman's (VDE) initial involvement in the future of ESC

- February 2012 – initial discussions on the possibility of a "merger" (all discussions are available in the public minutes of the District)
- Need to convert ESC to a municipality identified and accepted by VDE
- Advantages and disadvantages of the one versus two municipality options identified
- Opinion of the VDE's legal counsel sought and obtained

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Concerns regarding how to fund capital costs for needed ESC improvements

- The VDE was concerned about the available options to raise the capital required and whether a separate tax could be assessed on the properties with both water and sewer service
- In October 2012, ESC provided VDE with a letter summarizing a meeting with DRA which outlines the process for a precinct tax that could be assigned to properties served by the sewer
- On October 17, VDE Commissioners voted to proceed with the process of presenting the municipal district recommendation to the community and the pros and cons of one versus two municipalities

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Who can and how to decide if VDE should merge with the ESC?

- The charter to establish the VDE allows for a wide variety of municipal services including both water and wastewater services
- The Commissioners will seek a supporting vote of the District voters before accepting the assets and liabilities of the ESC
- A Special Meeting of the VDE is tentatively scheduled for January 9, 2013 at South Cove

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2012 ESC Fiscal Budget (calendar year)

- Total operating budget - \$139,000
 - Operator contract, outside services, and insurance - \$84,000
 - Utilities - \$26,000
 - Taxes - \$12,400
 - Maintenance and repairs - \$7,000
 - Management, administrative, and other fees - \$9,500
 - Total Capital Budget - \$61,000
 - Contribution to capital reserve - \$10,000
 - Bank Loan for capital projects - \$51,000
- Total expenses - \$200,000; total revenue - \$201,000

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Outstanding Loans as of Oct. 31, 2012

- Lake Sunapee Bank Loan \$311,000
 - Guaranteed by ECA
 - Paid for by sewer users
- ECA operating loan balance \$21,000
 - Paid for by sewer users
- Total outstanding loans \$332,000
- Projected Dec. 31, 2012 Reserve Balance - \$35,000

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Ongoing Projects:

In 2008, a 9-year Capital Project Schedule was developed:

- Pump replacement in West Cove B
- Headworks project
- WCA pump station project: electrical work and generator
- Upgrades to pump stations at holding ponds, WCB, and treatment plant
- Lagoon aeration system replacement – now beyond its useful and expected life
- Upgrades to buildings and electric systems

- Total budget in 2008: \$917,000
- Spent \$415,000 from 2008-2012
- \$502,000 remaining to be spent from now-2016

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New Department of Environmental Services Project:

Currently about 35% of the golf course spray irrigation water is processed wastewater pumped from the wastewater lagoons to the 14th hole holding pond. DES regulates the content of that sprayed water:

- TSS – Total Suspended Solids
- BOD – Biochemical Oxygen Demand
- Fecal Coliform
- Chlorine Residual
- Nitrates

- In 2011 the TSS limit for spray irrigation was lowered for all golf courses from >30mg/L to >10 mg/L
- Our pond and disinfectant system cannot meet that requirement

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E

Eastman Sewer Company, Inc.

DW 13-171

Responses to Schaefer/Van Dolah Set1 (VDE)

Data Request Received: 08/29/13

Date of Response: 09/12/13

Request No. Schaefer/Van Dolah 1-1 (VDE)

Witness: William Weber

REQUEST: The VDE has suggested that it will appoint a Sewer Advisory Board of three people to do the actual management of the sewer operations. Please identify the proposed members of that board and provide their educational and work experience that would support their being appropriate as managers of sewer operations.

RESPONSE: The VDE has discussed the possibility of appointing a "sewer advisory board", see VDE minutes of April 3rd 2013. At that time two ESC sewer board members had indicated a willingness to serve on that board, however due to the time that has passed since then and the reality that the VDE ESC transfer may not be consummated until March of 2014 neither one of them can commit to serving on a sewer advisory board. The VDE also worked with the ECA to insert an ad in the weekly "Eastman Highlights" (a weekly online community newsletter) seeking volunteers to serve on the sewer advisory board. The ad received no response. The adoption by the VDE Commissioners of a "sewer advisory board" is purely discretionary and is not mandated, although within the powers of the commission to carry out. Statutorily the commission is guided by NHRSA 149-I:19, (adopted by the VDE January 9, 2013) which

allows for the creation of a separate sewer commission, however, any appointment is still at the discretion of the VDE Commissioners.*

*149-I:19 Establishment; Duties. – Any town or village district which adopts the provisions of this chapter may, at the time of such adoption or afterwards, vote to establish a board of sewer commissioners, consisting of 3 members, which board shall perform all the duties and possess all the powers in the town or district otherwise hereby conferred upon the selectmen.

Respectfully Submitted,

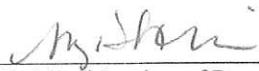
VILLAGE DISTRICT of EASTMAN

By: 

William S. Weber
General Manager, Duly Authorized

STATE OF NEW HAMPSHIRE
COUNTY OF SULLIVAN

Subscribed and sworn to before me this ^{25th} day of September 2013 by William S. Weber, General Manager, Village District of Eastman



Notary Public / Justice of Peace
My Commission Expires:

AMY D. LEWIS, Justice of the Peace
My Commission Expires February 22, 2017

②

EASTMAN SEWER COMPANY
BOARD OF DIRECTORS MEETING

April 16, 2013 AT 2:00 P.M.

ECA Office

Memorandum for the Record:

It has been pointed out that 2 errors were made in the slide presentation that was given by the Eastman Sewer Company during an open forum, which was mailed to all Eastman property owners:

Slide 10: stated:

"In October 2012, ESC provided VDE with a letter summarizing a meeting with DRA which outlines the process for a precinct tax that could be assigned to properties served by the sewer"

The words "precinct tax" should be "special assessment." Although the process used to collect the special assessment is exactly like that of a precinct tax, a special assessment is not a tax.

Slide 24 stated:

"In 2011 the TSS limit for spray irrigation was lowered for all golf courses from >30mg/L to >10 mg/L"

This is incorrectly stated, both from the standpoint of the limit amounts shown as well as use of the "greater than-less than" designations. The effluent limit for TSS was changed from 5mg/l (average weekly) to 10mg/l (average weekly). In other words, the limit for TSS is now less stringent than before the change. However in spite of this error, the intent of this chart was to stress that we are unable to meet the conditions of the ground water discharge permit which remains the fact.

We apologize for any confusion these two (2) errors out of a 32 slide briefing may have caused. Neither of these errors change the conclusions reached by the Eastman Sewer Company in regards to this matter.

G

Data Request Received: 10/10/13 Date of Response: 10/17/13

Request No. Schaefer/Van Dolah 2-3 (ECA and ESC) Witness: Brian Harding

REQUEST: Refer to Set #1 Question 4. (ESC)

In your response to this question, which asked about inspection of the sewer line from West Cove along the lake, you cited the rating (350 PSI) of the ductile iron pipe and the pressure (80 PSI) to which it is subjected. What is the expected time to failure for such a pipe and when will it need to be replaced or lined to avoid catastrophic damage to the lake?

RESPONSE: According to Joe Damour, Water System Operators, the expected time to failure for such a pipe is unknown.

(H)

Sewer Users Property Assessments

Street #	Assessment
Houses	
3 Alpine Vista	237,400
7 Alpine Vista	293,300
9 Alpine Vista	284,100
13 Alpine Vista	285,300
12 Barn Owl Overlook	260,100
14 Barn Owl Overlook	324,400
2 Butternut Dr.	264,000
4 Butternut Dr.	220,700
6 Butternut Dr.	187,400
9 Butternut Dr.	304,200
11 Butternut Dr.	442,100
13 Butternut Dr.	343,900
14 Butternut Dr.	223,400
25 Butternut Dr.	293,600
28 Butternut Dr.	359,800
29 Butternut Dr.	172,700
32 Butternut Dr.	239,900
38 Butternut Dr.	226,800
41 Butternut Dr.	247,000
42 Butternut Dr.	238,700
46 Butternut Dr.	195,400
24 Clearwater	253,200
29 Clearwater	320,100
31 Clearwater	292,400
33 Clearwater	388,200
35 Clearwater	377,600
16 Hummingbird Hill	173,000
18 Hummingbird Hill	195,900
19 Hummingbird Hill	288,700
20 Hummingbird Hill	329,900
22 Hummingbird Hill	157,700
23 Hummingbird Hill	216,900
27 Hummingbird Hill	341,700
29 Hummingbird Hill	403,500
30 Hummingbird Hill	267,700
33 Hummingbird Hill	229,800
38 Hummingbird Hill	206,200
39 Hummingbird Hill	248,500
42 Hummingbird Hill	234,400
47 Hummingbird Hill	283,000
49 Hummingbird Hill	264,600
50 Hummingbird Hill	250,900
54 Hummingbird Hill	218,800
2 Mill Pond	239,400
3 Mill Pond	237,900
5 Mill Pond	189,500
6 Mill Pond	246,000
7 Mill Pond	214,000
8 Mill Pond	241,500
11 Mill Pond	305,900
12 Mill Pond	232,000
13 Mill Pond	237,000
14 Mill Pond	197,500
15 Mill Pond	363,700
16 Mill Pond	226,700
3 Mourning Dove	194,200
23 Old Spring Dr.	190,600
27 Old Spring Dr.	248,200
29 Old Spring Dr.	206,300
30 Old Spring Dr.	275,200
32 Old Spring Dr.	221,900
3 Robin Lane	232,200
12 Robin Lane	230,500

13 Robin Lane	264,500
18 Robin Lane	237,500
19 Robin Lane	317,700
21 Robin Lane	289,500
22 Robin Lane	237,300
24 Robin Lane	227,300
30 Robin Lane	198,400
1 Slalom	156,300
2 Slalom	463,800
5 Slalom	153,500
6 Slalom	226,300
10 Slalom	278,200
14 Slalom	201,100
18 Slalom	318,700
21 Slalom	190,700
22 Slalom	261,400
23 Slalom	212,700
24 Slalom	303,900
26 Slalom	209,200
28 Slalom	244,900
30 Slalom	276,300
33 Slalom	254,200
1 Summit	198,700
3 Summit	343,300
5 Summit	183,400
6 Summit	204,700
10 Summit	171,300
11 Summit	262,600
12 Summit	266,200
14 Summit	456,200
15 Summit	225,300
16 Summit	579,400
22 Summit	425,600
23 Summit	222,800
26 Summit	254,800
28 Summit	320,100
29 Summit	177,300
30 Summit	252,000
31 Summit	206,000
1 Warbler Way	209,500
4 Warbler Way	203,500
7 Whip Poor Will	265,800
10 Whip Poor Will	217,300
12 Whip Poor Will	250,400
13 Whip Poor Will	156,400
26 Whitetail Ridge	175,400
43 Whitetail Ridge	219,600

4 Azure Brae	467,800
6 Azure Brae	510,900
8 Azure Brae	314,900
10 Azure Brae	645,200
14 Azure Brae	509,800
16 Azure Brae	84,600
2 Birch Brae	84,400
6 Birch Brae	305,600
10 Birch Brae	463,900
14 Birch Brae	395,600
16 Birch Brae	422,400
2 Sandy Brae	428,200
4 Sandy Brae	218,500
6 Sandy Brae	431,600
8 Sandy Brae	481,500
10 Sandy Brae	429,100
12 Sandy Brae	545,500
2 Turner Brae	433,600

4 Turner Brae	465,500
6 Turner Brae	353,400
8 Turner Brae	589,600
10 Turner Brae	350,500

Total assessments for 132 houses	37,220,200
Average assessment per house	281,971

Number of houses with sewer is 220 +
Braes

Calculated total assessment of houses 242 * 281,971	68,237,033
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Condominiums	
10 Pleasant Dr.	184,800
821 Covered Bridge	273,400
8 Water View	222,600
806 Covered Bridge	280,600
636 Marmot Lane	223,500
2 Pleasant Dr.	172,600
843 Cove Dr.	212,700
42 Terrace View	212,700
4 Pioneer Point	292,200
32 Barn Owl Overlook	248,800
9 Pleasant Dr.	171,100
34 Pleasant Dr.	241,500
47 Old Beach Circle	207,600
848 Cove Dr.	217,900
74 Pleasant Dr.	174,400
13 Bay Tree Lane	192,800
653 Marten Road	217,300
802 Covered Bridge	219,200
815 Covered Bridge	212,500
19 Pleasant Dr.	202,300
24 Barn Owl Overlook	283,300
639 Marmot Lane	229,500
2 Water View	178,900
72 Pleasant Dr.	171,000
819 Covered Bridge	281,100
43 Terrace View	191,100
6 Bay Tree Lane	183,900
803 Covered Bridge	235,600
11 Pleasant Dr.	175,300
36 Niblick Lane	212,300

Total assessment for 30 condos	6,522,500
Average assessment per condo	217,417
Total assessment for condos 238*217,417	71,312,667

Total assessment condos + houses	139,549,700
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Property Location: 24 CLEARWATER DRIVE SEWER
 Vision ID: 1676

MAP ID: 222 / 281 /

Bldg Name:
 Sec #: 1 of 1 Card 1 of 1

State Use: 4200
 Print Date: 05/06/2012 12:17



CURRENT OWNER		TOPO.	UTILITIES	STRT./ROAD	LOCATION	CURRENT ASSESSMENT			
ECA	4	Rolling	1 All Public	3 Unpaved	3 Rural	Description	Code	Appraised Value	Assessed Value
PO BOX 53						IND LAND	4200	147,000	147,000
GRANTHAM, NH 03753						INDUSTR.	4200	486,300	487,100
Additional Owners:	SUPPLEMENTAL DATA				2407 GRANTHAM, NH VISION				
Other ID:	03 1255			PRECINCT					
#				HEART					
P/U DATE				FREEZE					
SERIAL #	ASSOC PID#				Total: 633,300 634,100				
GIS ID:									

RECORD OF OWNERSHIP		BK-VOL/PAGE	SALE DATE	q/u	v/i	SALE PRICE	V.C.	PREVIOUS ASSESSMENTS (HISTORY)									
ECA		1223 / 549	05/15/2000	Q	V	175,000	00	Yr.	Code	Assessed Value	Yr.	Code	Assessed Value	Yr.	Code	Assessed Value	
ELC INC						0		2011	4200	-172,400	2009	4200	164,900	2006	4200	164,900	
								2011	4200	655,100	2009	4200	482,700	2006	4200	482,700	
Total:										482,700	Total:		647,600		Total:		647,600

EXEMPTIONS			OTHER ASSESSMENTS					
Year	Type	Description	Amount	Code	Description	Number	Amount	Comm. Int.
Total:								

This signature acknowledges a visit by a Data Collector or Assessor

ASSESSING NEIGHBORHOOD				
NBHD/ SUB	NBHD NAME	STREET INDEX NAME	TRACING	BATCH
200/A				

APPRAISED VALUE SUMMARY	
Appraised Bldg. Value (Card)	0
Appraised XF (B) Value (Bldg)	0
Appraised OB (L) Value (Bldg)	486,300
Appraised Land Value (Bldg)	147,000
Special Land Value	0
Total Appraised Parcel Value	633,300
Valuation Method:	C
Adjustment:	0
Net Total Appraised Parcel Value	633,300

NOTES
 SEWER CO.+MAINS (ELEC INC OVR OB#1
 OB2,3+4=PUMP HSE'S
 2004-NEW PUMP HOUSE
 4/7/11 = 100% COMPLT
 ASSESSMENT REVISED PER MEETING
 BECKY & KEN RIDER 634,100

BUILDING PERMIT RECORD									
Permit ID	Issue Date	Type	Description	Amount	Insp. Date	% Comp.	Date Comp.	Comments	
2009-51	09/24/2009	CM	Commercial	210,000		100	04/07/2011	SEWER FACILITY	
2003-58	06/25/2003	NC	New Construct	0	02/24/2004	100	04/01/2004	REPLACE PUMP HOUSE	

VISIT/ CHANGE HISTORY					
Date	Type	IS	ID	Cd.	Purpose/Result
4/27/2012			MR	12	PICK-UP W/O INTERIO
4/7/2011			EB	12	PICK-UP W/O INTERIO
2/24/2004	02		TH	57	BUILDING PMT
12/2/1996			JG	00	Measur+Listed

LAND LINE VALUATION SECTION																			
B #	Use Code	Use Description	Zone	Frontage	Depth	Units	Unit Price	I. Factor	S A	Acre Disc	C. Factor	ST. Idx	S.I. Adj.	Notes- Adj	Rec Y/N	CU Cond	Special Pricing	Adj. Unit Price	Land Value
1	4200	SEWER CO.	RRD			43,560 SF	1.83	1.00	C	1.0000	1.00		0.00	TOPO	N	0.000		1.83	79,700
1	4200	SEWER CO.	RRD			66.00 AC	2,000.00	1.00	0	0.6800	0.75	EAL	1.00		N	0.000		1,020.00	67,300

Total Card Land Units: 67.00 AC Parcel Total Land Area: 67 AC Total Land Value: 147,000

CONSTRUCTION DETAIL				CONSTRUCTION DETAIL (CONTINUED)									
Element	Cd.	Ch.	Description	Element	Cd.	Ch.	Description						
Model	00		Vacant										
MIXED USE													
			<i>Code</i>	<i>Description</i>			<i>Percentage</i>						
			4200	SEWER CO.			100						
COST/MARKET VALUATION													
			Adj. Base Rate:				0.00						
			Section. RCN:				0						
			Net Other Adj:				0.00						
			Replace Cost				0						
			AYB										
			EYB				0						
			Dep Code										
			Remodel Rating										
			Year Remodeled										
			Dep %										
			Functional ObsInc										
			External ObsInc										
			Cost Trend Factor				1						
			Condition										
			% Complete										
			Overall % Cond										
			Apprais Val										
			Dep % Ovr				0						
			Dep Ovr Comment										
			Misc Imp Ovr				0						
			Misc Imp Ovr Comment										
			Cost to Cure Ovr				0						
			Cost to Cure Ovr Comment										
OB-OUTBUILDING & YARD ITEMS(L) / XF-BUILDING EXTRA FEATURES(B)													
Code	Description	Sub	Sub Descript	L/B	Units	Unit Price	Yr	Gde	Dp	Rt	Cnd	%Cnd	Apr Value
CAB2	W/PLUMBING			L	192	\$1.00	2009				A	50	4,900
SHP5	W/IMPROV G			L	936	\$1.00	1997				A	50	14,500
!!	LAGOONS STOR.PONDS IRR.SPRAY MAINS ETC.			L	1	134,800.00	1997			0		32	43,100
		L	1	414,000.00	1997		0		35	144,900			
		L	1	450,000.00	1997		0		35	157,500			
		L	1	404,600.00	1997		0		30	121,400			
BUILDING SUB-AREA SUMMARY SECTION													
Code	Description	Living Area	Gross Area	Eff. Area	Unit Cost	Undeprec. Value							
Tot. Gross Liv/Lease Area:		0	0	0									

No Photo On Record

(J)

PURbase

Citations in Text

[N.H.] Re Granite State Electric Co., DR 93-188, Order No. 21,143, 79 NH PUC 123. Feb. 28, 1994.

NH.PUC*09/19/94*[70627]*79 NH PUC 501*Eastman Sewer Company, Inc.

[Go to End of 70627]

79 NH PUC 501

Re Eastman Sewer Company, Inc.

DE 94-069

Order No. 21,358

New Hampshire Public Utilities Commission

September 19, 1994

ORDER approving the termination of a lease agreement between a company owning land and sewer plant and the utility operating the plant, for nonpayment of rent by the sewer utility. A license agreement is approved instead, under which the sewer utility retains operational authority, the owner is not deemed a public utility, and only a small license fee need be paid each year. The utility remains responsible for all plant-related maintenance, repairs, insurance, and taxes.

1. LEASES, § 1

[N.H.] Termination — Factors — Default on rent payments — Replacement with license agreement — Sewer service. p. 502.

2. PUBLIC UTILITIES, § 34

[N.H.] Regulatory status — Factors —

Page 501

Ownership of utility plant — Leasing out of plant — Owner not deemed public utility — Operator/lessor deemed public utility — Sewer service. p. 502.

3. PUBLIC UTILITIES, § 36

[N.H.] Regulatory status — Factors — Lease arrangements — Termination of lease — Replacement with license agreement — Responsibility of operator/licensee for plant maintenance, insurance, and taxes — Utility status remaining with operator — Sewer service. p. 502.

BY THE COMMISSION:

ORDER

[1-3] On April 11, 1994, Eastman Sewer Company, Inc. ("Eastman" or the "Company") advised the Commission of certain changes in the arrangements between Eastman and Controlled Environment Corporation ("CEC") which owns the real estate and is responsible for other improvements associated with the sewer facility. Eastman has been operating the sewer facility under a lease agreement originally entered into with CEC in 1982. During the course of the Company's franchise docket before the Commission, this agreement was modified to meet the definition of a capital lease to allow the Company to both capitalize the system assets and to gain more control over the system it uses to provide service.

The value of this capital lease was the subject of Commission review during the Company's first rate case, DR 90-170, in which the Commission established the ratemaking value of the lease. Unable to make the lease payments originally called for in the lease agreement, the Company defaulted under the terms of the lease, and the lease was terminated by ELC, Inc., the successor lessor to CEC.

As a result of the Company's default, the parties to the lease entered into a long term "License Agreement" to allow Eastman to continue its provision of regulated sewer service. The April 11, 1994 communication from the Company included a copy of this License Agreement.

On April 26, 1994 Commission Staff sent a letter to the Company's attorneys advising that it had a number of concerns regarding the License Agreement. Staff's concerns were 1) that the termination of the capital lease appeared to violate Order No. 19,600, issued in DS 88-117 and dated November 2, 1989 under which Eastman was authorized to provide service; 2) that termination of the capital lease resulted in both ELC, Inc. and the Company becoming public utilities requiring specific Commission authorization to provide service; 3) that the License Agreement was unclear as to the responsibility for the funding of capital additions to the system; 4) that the License Agreement restricted Eastman's ability to expand its franchise territory; and 5) that ELC, Inc. was the proper recipient of the rates established by the Commission in DR 90-170 and that the books of the utility should be maintained by the owner of the assets, ELC, Inc.

As a result of discussions between Staff and the Company, on August 9, 1994 the Company submitted a revised License Agreement for Commission approval. The revised Agreement is included herewith as Attachment 1.

The Company has indicated that ELC, Inc., the licensor, has agreed to the modifications made to the License after discussions with Staff. Staff has also concurred that the modifications to the License Agreement have removed their expressed concerns with the original Agreement, and that Commission approval of the Agreement is appropriate.

We have reviewed the License Agreement as modified and find it to be in the public interest.

Based upon the foregoing, it is hereby

ORDERED, that the License Agreement between Eastman Sewer Company, Inc. and ELC, Inc., as an affiliate agreement pursuant to RSA 366:3, is hereby approved.

By order of the New Hampshire Public Utilities Commission this nineteenth day of September, 1994.

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ATTACHMENT 1

LICENSE AGREEMENT

AGREEMENT made as of this ____ day of August, 1994, by and between ELC, Inc., a New Hampshire corporation with a place of business at Grantham, New Hampshire (the "Licensor"), and Eastman Sewer Company, Inc., a New Hampshire corporation with a place of business at Grantham, New Hampshire (the "Licensee").

WITNESSETH:

WHEREAS, Licensor is the owner of certain real estate located in Grantham and Springfield, New Hampshire, more particularly described on Exhibit A attached hereto (the "Premises");

WHEREAS, Licensor, by virtue of a Bill of Sale, Assignment and Undertaking from Controlled Environment Corporation ("CEC") dated March 31, 1992, is the Lessor under a certain lease, as amended, between CEC as lessor and Eastman Sewer Company, Inc. as lessee (the "Lease");

WHEREAS, said Lease is being terminated this date by Licensor for non-payment of rent thereunder;

WHEREAS, the property subject to Lease consists of the sewer treatment facility located on Licensor's Premises, and all other pipes, equipment and easements utilized in the operation of said sewer treatment facility, including the spray irrigation system located on the Eastman golf course (collectively, the "Sewer System");

WHEREAS, the Licensee holds a public utility franchise to provide sewer disposal service to certain residents at the Eastman Development, and utilizes the Sewer System to do so;

WHEREAS, Licensor has no public utility franchise and has no desire or intention of obtaining same or of operating the Sewer System;

WHEREAS, Licensor desires to grant to the Licensee, and Licensee desires to accept, a license to continue to operate the Sewer System, but only in accordance with the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual obligations and promises set forth below, the parties agree as follows:

1. *Granting of License.* The Licensor hereby grants to the Licensee, and the Licensee hereby accepts from the Licensor, a license to enter upon the Premises and to continue to operate the Sewer Facility in order to provide public utility sewer disposal service in accordance with the terms and conditions set forth herein.

2. *Consideration and Term.* The consideration for the license granted to the licensee shall be payment of \$2,200 per year, payable on July 1 of each year during the term hereof, and payment of certain other expenses related to the Premises as set forth herein. The term of this license shall

Licensee and the Licensor as insureds as their respective interest may appear, and shall contain an agreement by the insurers that such policies shall not be cancelled without at least ten days' prior written notice to the Licensor. Licensor shall be provided with copies of all policies.

→ 7. Taxes and Utilities. Licensee shall pay all real estate taxes levied or assessed on or with respect to the Premises. Licensee also shall pay all personal property taxes, including inventory taxes, levied or assessed in respect of the personal property and trade fixtures on the Premises belonging to the Licensee or persons, firms or corporations other than Licensor. Licensee also shall pay when due all gas, telephone and electricity charges incurred on the Premises. Licensee will make its own arrangements for the delivery of all necessary fuels to the Premises for providing heat for the Premises, and will pay when due all charges for such fuel.

8. *Default.* In the event that the Licensee exceeds the scope of the license granted hereby, or otherwise defaults under any of the provisions of this Agreement, the licensor shall provide the licensee with written notice of such default by either hand- delivery or first class United States mail, postage prepaid and return requested, which return receipt shall be conclusive evidence of the time of receipt by the Licensee, unless the notice of default is hand-delivered. If the Licensee fails to cure such default within seven (7) days of its receipt of such notice of default, the license granted hereby automatically shall be revoked, and the Licensee shall immediately cease all operations on the Premises and remove its equipment (other than fixtures) and any other personal property within ninety (90) days of such termination. Upon any default by the Licensee, the Licensor shall be entitled to assert any or all of its remedies at law and in equity, including without limitation specific performance and/or monetary damages.

9. *Termination.* The License Term shall expire and terminate upon the occurrence of any of the following events:

- a) January 1, 2044;
- b) Cessation of the Licensee's operations as a public utility regulated by the New

Page 504

Hampshire Public Utilities Commission of the Sewer System;

- c) a change of control of Licensee;
- d) insolvency of Licensee or the commission of an act of insolvency;
- e) the making of an assignment by Licensee for the benefit of creditors;
- f) the filing of any petition or the commencement of any proceeding by or against Licensee for any relief under any bankruptcy or insolvency laws, or any laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, compositions or extensions, provided that in the event any such proceedings are instituted against Licensee, termination of the License Term shall occur only if such proceedings are not dismissed within thirty (30) days; and
- g) the filing of any petition or the commencement of any action seeking by eminent domain or otherwise to take the Premises or any portion thereof, including any portion of the improvements located thereon.

(K)

Eastman Sewer Company, Inc.

DW 13-171

Responses to Phillip Schaefer and James Van Dolah Set 2 (ECA and ESC)

Data Request Received: 10/10/13

Date of Response: 10/17/13

Request No. Schaefer/Van Dolah 2-5 (ECA and ESC)

Witness: Brian Harding

REQUEST: Refer to Set #1 Question 9. (ECA)

Was the ECA providing any services (snow removal, grass cutting, repairs, billing) to ESC during the three years prior to its purchase of ESC? How much did the ECA charge (hourly, or per incident) for those services? If there was a contract that specified the services and their costs, please provide a copy of it. What were the total annual amounts received by the ECA for each service.

Since the ECA purchased ESC, has there been a contract for services? If so, please provide a copy of that contract. If not, how were charges determined (hourly, per cent of total effort, other)? Please provide documentation of the service charge rates if there was not a contract. Did you seek competitive bids for services to minimize the cost to users? If not, why not and was that in the interest of sewer-users?

RESPONSE: We do not recall ECA providing any services to ESC prior to its purchase of the sewer company. If such services were provided in the years 1998 through 2000 (the three years prior to the purchase), it is well beyond the point where accounting records of those services would be retained. After ECA purchased ESC a Services Agreement was formalized, and a copy

of that agreement is attached. Competitive bids for services were not sought; however, outside contractors have been hired occasionally to perform services such as completing building repairs and mowing around the aerating lagoons and holding ponds.

(L)

EASTMAN COMMUNITY ASSOCIATION
WORK RECORD FOR
EASTMAN SEWER COMPANY

EMPLOYEE: DWAYNE PILSBURY

DATE: 12-27-12

TIME OF DEPARTURE FROM MAINTENANCE DEPARTMENT: 0

TIME OF RETURN TO MAINTENANCE DEPARTMENT: 0

WORK PERFORMED: Plow & SAND (TWICE)

3 HRS

FOLLOW UP REQUIRED:

EMPLOYEE INITIALS: _____ SUPERVISOR INITIALS: TRS

EASTMAN COMMUNITY ASSOCIATION
WORK RECORD FOR
EASTMAN SEWER COMPANY

EMPLOYEE: SID GOBIN

DATE: 12-30-12

TIME OF DEPARTURE FROM MAINTENANCE DEPARTMENT: —

TIME OF RETURN TO MAINTENANCE DEPARTMENT: —

WORK PERFORMED: Plow SAND

1 1/2 HRS

FOLLOW UP REQUIRED: —

EMPLOYEE INITIALS: _____ SUPERVISOR INITIALS: TRS

EASTMAN COMMUNITY ASSOCIATION
WORK RECORD FOR
EASTMAN SEWER COMPANY

EMPLOYEE: Don Cote / BRIAN ROSSITER

DATE: 10/23/12

TIME OF DEPARTURE FROM MAINTENANCE DEPARTMENT: 9:30

TIME OF RETURN TO MAINTENANCE DEPARTMENT: 10:30

WORK PERFORMED: Mow

FOLLOW UP REQUIRED: _____

EMPLOYEE INITIALS: DC SUPERVISOR INITIALS: [Signature]

??
↓
2 hrs

m

Eastman Sewer Company, Inc.

DW 13-171

Responses to Schaefer/Van Dolah Set1 (ESC)

Data Request Received: 08/29/13

Date of Response: 09/12/13

Request No. Schaefer/Van Dolah 1-10 (ESC)

Witness: Brian Harding

REQUEST: With respect to the proposed transaction is between the ECA and the VDE and referring to the spreadsheet mentioned in 9. (above): Please list, explain and justify the payments by the ESC to Jay Boynton, Attorney at Law and Norman Bernaiche, assessor and any others in furtherance of the proposed transaction, which bring questionable value to the sewer-users themselves. Furthermore, please explain why these charges are not totally the responsibility of the ECA, which is the seller in the transaction.

RESPONSE: To the best of our knowledge, the attached list (see Attachment 7) shows all payments by ESC which relate to the proposed sale to VDE. While the ESC appraisal done by Norman Bernaiche was referenced in the Joint Petition filing, this appraisal was not done "in furtherance of the proposed transaction". It was done as part of an effort to determine any NH Real Estate Transfer Tax liability if ESC was dissolved and merged with ECA. The appraisal was completed in December 2011, two months before discussions with VDE even began.

The payments made to Jay Boynton have been for extensive legal services related to the proposed sale to VDE, including researching, corresponding and meeting with representatives of the NH Department of Revenue Administration, various communications with other State of

New Hampshire agencies, the Town of Grantham, and other attorneys, the review of historical documents relevant to the proposed sale, the preparation of various filings with the PUC including the 226 page Joint Petition, attendance at the August 1, 2013 Pre-hearing conference at the PUC, participation in the September 17, 2013 conference call with the PUC, and numerous email communications, telephone calls and meetings with representatives of the Joint Petitioners. From the start of Attorney Boynton's work for ESC through June 30, 2013 ESC and ECA split the legal fees 50/50. From July 1, 2013 forward ECA has paid 100% of the fees, due primarily to the cash flow limitations of ESC. A payment of \$2,418 was made to Attorney Albert J. Cirone, Jr. in June 2013 for one-half of the cost to prepare the Purchase & Sale Agreement for the proposed sale to VDE. ECA paid the other half of this cost. ESC paid \$800 to Norman Bernaiche in December 2011 for one-half of the cost to prepare the appraisal for the Eastman Sewer Company, with ECA paying the other half. However, as noted above, the appraisal was not directly related to the proposed sale.

As the owner of ESC, it is reasonable to expect ECA to share in the costs related to the proposed transaction and that has been done. It is not reasonable to expect ECA to pay all the expenses, since the value of the proposed transaction to the sewer customers is undeniable. As cited in the testimony provided by Brian Harding in support of the Joint Petition, approximately \$20,000 in current annual costs paid by sewer customers will be eliminated upon transfer of the system to VDE. The savings of these costs for state taxes, local taxes, additional insurance and additional audit fees will be a direct benefit to the customers, since they pay 100% of these expenses. In addition, the system will be owned and operated by a municipality, which has access to low interest State Revolving Funds and preferred interest rates on bank loans, saving further expenses to the customers when capital projects require financing.

EASTMAN SEWER COMPANY
Transaction List by Vendor
December 1, 2011 through September 19, 2013

Date	Num	Split	Credit
Boynton, Jay Attorney at Law			
09/26/2012	08/31/12	5360 · LEGAL FEES	1,313
10/17/2012	PER BILLING	5360 · LEGAL FEES	1,353
11/01/2012	october	5360 · LEGAL FEES	348
12/15/2012	Nov services	5360 · LEGAL FEES	480
12/31/2012	12/31/12	5360 · LEGAL FEES	158
02/15/2013	01/31/13	5360 · LEGAL FEES	1,048
03/01/2013	february	5360 · LEGAL FEES	198
04/01/2013	march exp	5360 · LEGAL FEES	2,313
05/01/2013	April	5360 · LEGAL FEES	1,753
06/01/2013	May	5360 · LEGAL FEES	3,113
07/01/2013	june exp	5360 · LEGAL FEES	1,408
Subtotal			13,485
Reimbursed to ESC from ECA			(6,756)
Net payments to Attorney Boynton			6,729
Eastman Community Association			
12/28/2011	50%Bernaiche bill	5020.7 · OTHER CONSULTING	800
06/01/2013	reim 1/2 for cirone	5020.7 · OTHER CONSULTING	2,418
Total through 9/19/2013			9,947