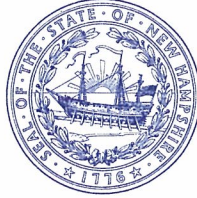


THE STATE OF NEW HAMPSHIRE

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October 23, 2012

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

Re: DW 12-290 Eastman Sewer Company, Inc.
Capital Reserve Fund Request

Dear Ms. Howland:

On September 28, 2012, the Commission received a request from Eastman Sewer Company, Inc. (Eastman) for authorization to use \$18,995.63 from Eastman's capital reserve fund. These funds are to be used to pay expenses related to Eastman's ongoing analysis of its compliance issues with the discharge of treated effluent in its sewage treatment process. After review, Staff recommends approval.

Earlier this year, in Docket No. DW 12-157, 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 with the criteria in its Groundwater Discharge Permit issued by the New Hampshire Department of Environmental Services (DES). The permit relates to spray irrigation of the system's treated effluent on the Eastman Community Association's golf course. Underwood Engineers has been retained to evaluate the most effective way to correct the compliance issues. The Staff recommendation letter filed in DW 12-157 contains additional detail on this work. At the time of its filing in DW 12-157, Eastman anticipated that it would be seeking additional authority to use funds from its capital reserve fund, and, in response to an inquiry from Staff, has indicated that it will likely request additional authority in the near future. At that point, Underwood will have completed its review and will present project options to the Eastman Board of Directors for a decision as to implementation of a permanent solution.

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 of this date, the fund balance is \$55,132.

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As the funds are to be used for capital expenditures as originally intended by the Commission in 1992, Staff believes the use of the funds for the intended purpose 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, reading "Mark A. Naylor". The signature is written in a cursive style with a horizontal line extending to the left of the first name.

Mark A. Naylor
Director, Gas & Water Division