

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER RAPER
COMMISSION SECRETARY
COMMISSION STAFF

FROM: BRANDON KARPEN
DEPUTY ATTORNEY GENERAL

DATE: NOVEMBER 20, 2015

SUBJECT: EAGLE WATER COMPANY'S APPLICATION FOR APPROVAL OF A
CUSTOMER SURCHARGE, CASE NO. EAG-W-15-01

On November 10, 2015, Eagle Water Company filed an Application seeking authority to implement an immediate and temporary surcharge of 53.82% on customers' water usage in excess of 600 cubic feet per month. The Company also requests permission to access existing funds in its surcharge account. The new surcharge and the existing balance in the surcharge account would be used by Eagle Water to pay for several large capital improvement projects, and its legal and accounting fees associated with this proceeding. Application at 3-5. Eagle Water further requests that its Application be processed via Modified Procedure and that the surcharge become effective upon Commission Order pursuant to *Idaho Code* § 61-307.

BACKGROUND

Eagle Water serves approximately 3,500 customers in and around the City of Eagle. *See* Application, Exhibit D. Its water supply is currently provided from six wells (Well Nos. 1, 2, 3, 6 and 7). *See* Order No. 30936. A seventh well, Well No. 8, which is a major subject of this Application, has been drilled, but its operational status is unclear.

Since September 1992, Eagle Water has implemented various customer surcharges in addition to its charges for water service and customer hook-up fees. *See* Eagle Water Rate Schedule No. 5; Commission Order Nos. 29903, 29969, and 30936.

In 2005, the Company requested and received permission to implement a surcharge to recover charges for engineering, accounting and legal expenses to remedy poor water pressure at the time. In 2009, on the Company's request, the Commission authorized the Company to

collect additional surcharge revenue for legal and accounting costs, and specific items relating to system maintenance.

THE APPLICATION

Eagle Water now seeks to recover the costs associated with several capital projects, and professional fees (accounting and legal) through another customer surcharge. The capital improvements and other expenses are outlined below.

CAPITAL IMPROVEMENTS	COST
Main Booster Station	\$148,780.00
Construction of Well No. 8	\$598,480.00
Well No. 4 Repairs	\$ 62,245.00
Well No. 6 Repairs	\$ 25,586.00
State Street Bridge Line Relocation	\$ 13,432.00
Horseshoe Bend Road Bridge Line Relocation	\$ 6,489.00
Well No. 7 – Upsize Line	\$ 43,608.00
Hill Road Line Relocation	<u>\$ 25,895.00</u>
Subtotal	\$924,515.00
EXPENSES	
Accounting Fees	\$ 600.00
Legal Fees	<u>\$ 10,125.00</u>
Subtotal	\$ 10,725.00

The combined total for capital improvement projects and expenses is \$935,240. Application at 2-5.

To recover these actual and projected costs set out above, the Company proposes to borrow \$786,242 from D.L. Evans Bank. According to the proposed terms of the bank loan, Eagle Water will borrow \$786,242 at a variable interest rate of the Wall Street Journal Prime rate + 2.00% with a floor rate of 5.5% over a projected term of about five years. Application, Exh. C. To repay the loan, the Company proposes to implement an immediate surcharge of 53.82% for usage above 600 cubic feet per month. In addition to the surcharge, the Company also seeks permission to access the remaining balance in the surcharge account. The Company reports the current balance in the prior surcharge account is approximately \$149,000. Application at 5. The Company proposes to use these surcharge funds to offset costs. *Id.*

The Company estimates that if the surcharge is approved, a customer using 700 cubic feet of water per month would experience an increase of 24 cents, to \$8.24 per month. Eagle Water claims that even if the surcharge is approved, its overall rates “are considerably lower than

either the City of Eagle’s municipal water system rates or United Water-Idaho’s rates.” Application, Exh. G. The Company requests that the surcharge take immediate effect. Application at 6.

STAFF RECOMMENDATION

After reviewing the Application, Staff believes that a thorough review of the Company’s Application is necessary. Staff thus recommends the Commission issue a Notice of Application that suspends the requested immediate effective date by at least 90 days. *See Idaho Code* § 61-622(3-4). Staff further recommends the Commission set a 14-day intervention deadline, and direct Staff to informally confer with the parties about scheduling.

COMMISSION DECISION

Does the Commission wish to issue a Notice of Application that suspends Eagle Water’s proposed immediate effective date by at least 90 days; establish a 14-day intervention deadline; and direct Staff to informally confer with the parties about developing a schedule?

/s/ *Brandon Karpen*
Brandon Karpen
Deputy Attorney General

M:EAG-W-15-01_bk