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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Eagle Water Company, Inc.

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE INVESTIGATION)
OF LOW WATER PRESSURE IN A)
PORTION OF EAGLE WATER)
COMPANY'S SERVICE AREA)

CASE NO. EAG-W-05-02

SUPPLEMENT TO EAGLE WATER
COMPANY, INC.'S APPLICATION
FOR AN EMERGENCY
SURCHARGE

COMES NOW, Eagle Water Company, Inc. ("Eagle Water" or "the Company")
and hereby supplements its APPLICATION FOR AN EMERGENCY SURCHARGE as
follows:

1. Pursuant to Section 61-307, Idaho Code, Eagle Water is requesting an
immediate effective date for its requested emergency surcharge upon the Commission's
approval.

2. Pursuant to Idaho Administrative Procedures Act (IDAPA) Rule
31.21.02.102.03, Eagle Water hereby submits a copy of the Notice to Customers that is

EAGLE WATER COMPANY, INC.
SUPPLEMENT TO APPLICATION FOR EMERGENCY SURCHARGE

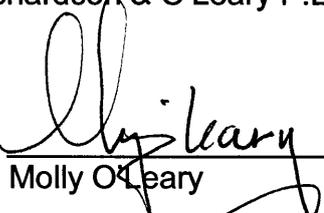
being mailed to all Eagle Water customers as of today's date. (See Exhibit 12, attached.)

3. Pursuant to IDAPA Rule 31.21.02.102.04, Eagle Water hereby submits a copy of the Press Release forwarded as of today's date to all newspapers, television and radio stations on the Commission's news organization list for Eagle Water. (See Exhibit 13, attached.)

RESPECTFULLY SUBMITTED this 9th day of September, 2005.

Richardson & O'Leary P.L.L.C.

By


Molly O'Leary

Attorneys for Eagle Water Company,
Inc.

EXHIBIT 12

EAGLE WATER COMPANY, INC.
APPLICATION FOR EMERGENCY SURCHARGE

TO OUR CUSTOMERS

We have recently filed an Application with the Idaho Public Utilities Commission for a temporary surcharge to cover expenses that we have incurred and will incur to alleviate low water pressure problems in the northeastern portion of Eagle Water Company, Inc.'s Service Area.

In the summer of 2004, a 12-inch mainline that was connected to the booster pump that serves the northeastern portion of Eagle Water's service area was undermined by a local gravel pit operator. Consequently, Eagle Water had to re-route this service line using an eight-inch line. Due to unusually hot weather this past July, as well as excessive lawn irrigation by some of our customers, unacceptably low water pressure occurred in the higher elevations of Eagle Springs subdivision. To address this problem, Eagle Water installed a 12-inch mainline to provide sufficient supply to the existing booster pump. This was completed on August 5, 2005.

In addition to the foregoing solution, Eagle Water has identified three potential options for further ensuring adequate water pressure in the Eagle Springs area. These include:

- Option 1 – Increase the horsepower of the existing booster pump; or
- Option 2 - Add a second booster pump station on Big Springs Street to specifically target the 51 customers in the highest elevation of Eagle Springs subdivision who are most affected; or
- Option 3 – Bring a new well online to increase pressure and supply

Eagle Water will need to borrow funds to cover its expenditures, regardless which option the Commission approves. Repayment of this loan would need to be recovered through the assessment of a surcharge on all Eagle Water customers. Commission approval of Option 1 or Option 2 would result in a temporary surcharge of approximately 16.85% on your monthly water bill for a period of three years. In the alternative, Commission approval of Option 3 would result in a temporary surcharge of approximately \$9.16 per month for our average residential water customers, or 40.85%, for the same period.

Although Option 3 is more expensive than Option 1 or Option 2, Eagle Water's engineer, James M. Rees, P.E., MTC, Inc., believes this is the **most cost-effective solution over the long run**, as additional supply is needed throughout Eagle Water's system. A new well would address both short-term water pressure problems and help provide adequate supply to meet the fast-paced growth in Eagle Water's Service Area. Consequently, Option 3 is our preferred alternative.

As you know, Eagle Water's rates are considerably lower than either the City of Eagle's rates or United Water-Idaho's rates. The average Eagle Water residential customer pays \$269.18 per year for water. That same customer would pay approximately \$608.53 to the City of Eagle for the same amount of water and would pay \$650.16 on

United Water's system. Thus, even with the proposed temporary 40.85% surcharge, you would continue to pay considerably less than like-situated water users elsewhere in the Eagle area.

We have requested that the Commission process our Application pursuant to its Modified Procedure Rules. We anticipate the Commission will issue an Order next week setting a deadline for written Comments.

You may review a copy of our Application either at our office or at the Commission's office. You may also review the Application online at www.puc.idaho.gov, under the "File Room" icon.

EXHIBIT 13

EAGLE WATER COMPANY, INC.
APPLICATION FOR EMERGENCY SURCHARGE

EAGLE WATER COMPANY SEEKS EMERGENCY SURCHARGE

Eagle Water Company, which serves just over 3,000 customers in the Eagle, Idaho area, has filed an Application with the Idaho Public Utilities Commission seeking permission to assess its customers a temporary surcharge to recover present and future expenses necessary to address water pressure problems this past summer in Eagle Springs Subdivision and adjacent areas.

Eagle Water has asked the Commission for expedited review and approval of its Application. The Company proposes that the surcharge become effective upon the Commission's approval.

In the summer of 2004, a 12-inch mainline that was connected to the booster pump that serves the northeastern portion of Eagle Water's service area was undermined by a local gravel pit operator. Consequently, Eagle Water had to re-route this service line using an eight-inch line. Due to unusually hot weather this past July, as well as excessive lawn irrigation by some customers, unacceptably low water pressure occurred in the higher elevations of Eagle Springs subdivision. To address this problem, Eagle Water installed a 12-inch mainline to provide sufficient supply to the existing booster pump. This was completed on August 5, 2005.

In addition to the foregoing solution, Eagle Water has identified three potential options to further ensure adequate water pressure in the Eagle Springs area. These include:

- Option 1 – Increase the horsepower of the existing booster pump; or
- Option 2 - Add a second booster pump station on Big Springs Street to specifically target the 51 customers in the highest elevation of Eagle Springs subdivision who are most affected; or
- Option 3 – Bring a new well online to increase pressure and supply

Eagle Water will need to borrow funds to cover its expenditures, regardless which option the Commission approves. Repayment of this loan would need to be recovered through the proposed surcharge on all Eagle Water customers. The price tag for Option 1 or Option 2, together with costs already incurred by Eagle Water in replacing the 12-inch mainline, is approximately \$214,246.00 and would result in a temporary surcharge of approximately 16.85% on Eagle Water Company customers' monthly water bills for a period of three years. In the alternative, Option 3 would cost approximately \$517,476.75 and result in a temporary surcharge of approximately 40.85% on all Eagle Water customers for three years. This latter option, which includes the costs already incurred in replacing the 12-inch mainline, would translate into an increase of approximately \$9.16 per month for Eagle Water Company's average residential water customers.

According to James M. Rees, P.E., MTC, Inc., engineer for Eagle Water Company, building a new well (Option 3) is the most cost-effective solution over

the long run, as additional supply is needed throughout Eagle Water's system. A new well would address both short-term water pressure problems and help provide adequate supply to meet the fast-paced growth in Eagle Water's Service Area. Consequently, Option 3 is the Company's preferred alternative.

Eagle Water's rates are considerably lower than either the City of Eagle's municipal water system rates or United Water-Idaho's rates, and the proposed surcharge would not change this fact. The average Eagle Water Company residential customer pays \$269.18 per year for water. That same customer would pay approximately \$608.53 to the City of Eagle for the same amount of water and would pay \$650.16 on United Water's system. Thus, even with the proposed temporary surcharge of 40.85%, Eagle Water's customers would continue to pay considerably less than like-situated water users elsewhere in the Eagle area.

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