

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF EAGLE WATER)
COMPANY'S REQUEST FOR A) CASE NO. EAG-W-05-02
TEMPORARY SURCHARGE)
ORDER NO. 30266

On February 28, 2007, Eagle Water Company filed a "Status Report and Petition for Extension of Time" concerning an application ordered by the Commission to be filed no later than March 1, 2007. In Order No. 30213, the Commission directed Eagle Water to file an application for implementing system improvements previously identified in an engineering report prepared by the Company. In its Petition, Eagle Water requests that the Commission grant an extension for filing the application until 30 days after the Department of Environmental Quality (DEQ) approves the final engineering report.

BACKGROUND

In August 2005, the Commission issued an emergency Order directing Eagle Water to "use all deliberate speed" to increase water pressure in a portion of its service territory. In addition to taking immediate action, the Company was directed to prepare an engineering study to address the chronic low-pressure problems in its system and to project its water supply needs for the future. The engineering report was to "serve as a 'road map' for determining exactly what infrastructure improvements are necessary to serve the present and future needs of Eagle Water and its customers." Order No. 29903 at 7. The Company was ordered to "complete its engineering study as soon as possible." *Id.* at 9.

To recover the cost of preparing the engineering study, the Commission in February 2006 authorized Eagle Water to implement a temporary rate surcharge. Order No. 29969. The surcharge was designed to recover \$112,414. Once the authorized amount was recovered, the surcharge would be discontinued. Order No. 29969 at 6.

After the Commission issued its surcharge Order, Eagle Water and DEQ signed a "Consent Order" in which Eagle Water acknowledged violations of DEQ's Drinking Water Rules. In addition to paying a civil penalty of \$13,500, Eagle Water was required to submit a "Preliminary Engineering Report" to DEQ. The Consent Order provided that Eagle Water was

to submit the report to DEQ for review and approval. Based upon DEQ's review, Eagle Water would then submit a "final" engineering report for DEQ's approval. Consent Order at p. 2.¹

On June 2, 2006, Eagle Water submitted its "Preliminary" Engineering Report to the Commission and to DEQ. Both DEQ and Commission Staff asked the Company to submit additional information as part of the Company's final engineering report. Order No. 30160.

On October 30, 2006, the Commission ordered Eagle Water to submit its "final" engineering report and an application to implement necessary system improvements no later than December 31, 2006. Order No. 30160. Following this Order, Eagle Water petitioned and was granted an extension. In Order No. 30213, the Commission directed Eagle Water to file its engineering report no later than January 20, 2007, and its implementing application no later than March 1, 2007. Order No. 30213 at 4. Eagle Water filed its "Final" Engineering Report on January 19, 2007 and DEQ filed its comments to the draft report on February 13, 2007.

THE CURRENT PETITION

In its Petition, Eagle Water again asserts that it has been "diligently pursuing" the completion of the final engineering report but said that it will not be able to meet the March 1 deadline for submitting the implementing application because DEQ has not yet approved the report. Petition at 1. The Company anticipates filing the "revised" final engineering report for DEQ's approval on or about March 15, 2007.

The Company also reports that the cost of preparing the engineering report to meet DEQ's approval has exceeded the initial estimate of \$79,895 (grossed-up for tax purposes to \$102,170). Order No. 29903 at 2, 7. According to the Company, the cost of preparing the engineering report has exceeded the Commission's authorization by approximately \$88,605 (\$53,000 + \$35,605). Petition at 2; Exhibit 2. Eagle Water does not seek recovery of the additional engineering costs at this time. Petition at 2.

In summary, Eagle Water requests that the Commission:

- (1) Continue to allow Eagle Water to collect the current surcharge; and
- (2) Extend the deadline for filing the application "to 30 days from the date Eagle Water gets a final acceptance of its Engineering Report from DEQ."

Petition at 3.

¹ A timeline for this proceeding is attached.

DISCUSSION

Based upon Eagle Water's Motion, we partially grant the Company's request to postpone the filing of its application to implement system improvements. The Commission declines to leave the due date for the application open-ended. Instead, we find it reasonable to set May 1, 2007 as the specific deadline for the application to be filed. If DEQ approves the Final Engineering Report in short order, then we expect Eagle Water to file the application as soon as practical.

As we noted in Order No. 30213, the purpose of the application is two-fold. "First, the application is to identify the infrastructure improvements necessary to serve the present and future needs of Eagle Water and its customers. Second, the application will include Eagle Water's proposal for a new rate design to recover the costs of the identified infrastructure improvements and make other rate changes as necessary." Order No. 30213 at 4.

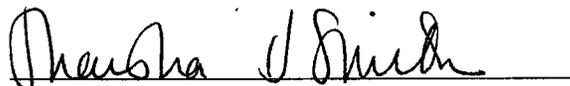
ORDER

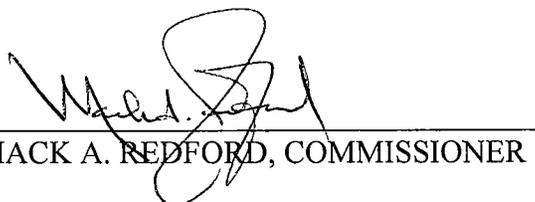
IT IS HEREBY ORDERED that Eagle Water Company's Motion is partially granted. Eagle Water shall file its application to implement the system improvements no later than May 1, 2007.

IT IS FURTHER ORDERED that the Company is authorized to continue to collect the existing surcharge, subject to refund. Eagle Water is prohibited from converting the surcharge funds to its own use until such time as the Commission explicitly approves the recovery of engineering and processing costs in excess of \$112,414 in a future Order.

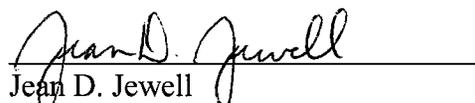
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 7th
day of March 2007.


PAUL KJELLANDER, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

bls/O:EAG-W-05-02_dh6