

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF**

FROM: DON HOWELL

DATE: SEPTEMBER 8, 2005

**SUBJECT: EAGLE WATER'S APPLICATION FOR A TEMPORARY SURCHARGE,
CASE NO. EAG-W-05-2**

On August 3, 2005, the Commission issued an emergency Order directing Eagle Water to immediately address a water pressure problem in the Eagle Springs subdivision. The Commission directed Eagle Water to "use all deliberate speed" to increase the low water pressure. Order No. 29840. The Order also directed Eagle Water to prepare an engineering report of its entire system. The report is to include a comprehensive analysis of the existing system including projected water and facility needs to 2010. *Id.* at 3. Eagle Water was to advise the Commission within 21 days of when the engineering study can be completed and submitted to the Commission.

The Order also required Eagle Water to file an Application for a customer surcharge in an amount sufficient to recover the costs of: (1) the immediate system improvements to correct the low pressure conditions; (2) preparing the system engineering report; and (3) the legal, accounting and engineering expenses to be incurred in the preparation of the report and the surcharge application. Order No. 29840 at 3. The Commission directed the surcharge revenues to be booked in a separate account and Eagle Water's use of the surcharge funds would be restricted to recovering the costs of the three elements mentioned above.

THE SURCHARGE APPLICATION

1. Initial Costs. On August 24, 2005, Eagle Water filed its Application for a temporary surcharge. Eagle Water asserted that it had alleviated the low-pressure problems by replacing an 8-inch mainline that was connected to the booster pump serving Eagle Springs subdivision with a 12-inch mainline. The Company stated that the cost of replacing the 8-inch

mainline with the larger 12-inch mainline was \$40,027. Application at 2. Eagle Water also estimated the cost of producing the engineering report and the legal/accounting costs to prepare the surcharge Application. These costs are reflected below.

<u>ITEM</u>	<u>COST</u>
Replace 8-inch line	\$ 40,027
Engineering Report	\$ 79,895
Legal & Accounting Expenses	\$ 7,250
TOTAL	\$127,172

Eagle Water stated that it will take between three to five months to complete the engineering report. Exh. 4, p. 5.

2. Additional Measures. Although the Company believes that it has adequately addressed the immediate low-pressure problems in Eagle Springs, it is concerned that there may be occasional drops in water pressure, “especially in light of the continued wasting of water that has been observed in Eagle Springs.” Surcharge Application at 2. In addition to the immediate corrective measures, the Company’s engineer has identified three additional measures which may “further alleviate water pressure problems in the Eagle Springs area.” These additional measures are:

Option 1 – Increase the power of the current booster pump from 60 horsepower (HP) to 75 or 100 HP. The estimated cost of this option is \$87,075.

Option 2 – Installing an additional booster pump buried under Big Springs Street at the 2,700-foot elevation. The estimated cost of this option is \$81,607.50 or approximately \$1,600 per the 51 Eagle Water customers at the highest elevation in Eagle Springs.

Option 3 – Drill a new well under an existing permit from IDWR to serve the entire system. The estimated cost of this option is \$390,305. The Company has an existing permit to drill this well that expires on March 1, 2006.

The Company estimates that Option 1 and Option 2 would take approximately six weeks to implement. Option 3 would take 60 to 180 days. *Id.* at 4-5. The Company’s preference is for the Commission to authorize Option 3 (the new well).

The Company reports that it pumped 5.156 million gallons to meet customer demand on July 17, 2005. Based upon the maximum pumping rate of Eagle Water’s current well system,

the Company calculates that the existing wells can supply a maximum of 7.138 million gallons per day.

The Company asserts that based upon DEQ criteria for estimating peak hourly demand, the peak demand for Eagle Water is approximately 2,000 gallons per minute (gpm). In addition to this normal peak demand, the Company asserts that fire-flow requirements for public safety are 1,500 gpm. Consequently, under a worse case scenario, the Company estimates peak demand could exceed 3,500 gpm. *Id.* at 4. The Company calculates that the maximum pumping rates of the four operational wells are: No. 1 – 600 gpm; No. 2 – 400 gpm; No. 4 – 2,000 gpm; and No. 6 – 2,000 gpm.¹ The total pumping rate for the four wells is 4,000 gpm – 500 gpm above the estimate peak demand. The Company calculates that if either Well No. 4 or No. 6 should temporarily fail, there may “not be adequate quantity or pressure for the system” to meet DEQ standards. *Id.* at 4.

3. The Surcharge. The Company estimates that a monthly surcharge of 16.85% over three years would recover the anticipated costs for: (1) correcting the immediate pressure problems; (2) preparing the engineering report; (3) recovering the legal/accounting costs; and (4) implementing either Option 1 or Option 2. This surcharge would recover \$214,147. Exh. 8.

The Company’s preferred alternative would be to recover the immediate costs (the three elements) and implement Option 3 (the new well) for a total estimated cost of \$517,477. The Company’s accountant has calculated a monthly surcharge of 40.85% would recover this amount over three years. The Company estimates that this larger surcharge would be an additional \$9.16 per month for the average residential customer. Even with the proposed surcharge, the Company asserts that its average customer’s annual water bill would be lower than the annual water rates for either the City of Eagle or United Water’s customers. Eagle Water Customer Notice.

4. Processing the Case. The Company proposes that its Surcharge Application be processed under Modified Procedure. Eagle Water indicates it is in the process of mailing the requisite customer notice to all of its customers and will issue a press release.

¹ In addition to the four operating wells (Nos. 1, 2, 4, 6) the Company uses Well No. 3 as a back-up supply source (sand problems) and Well No. 5 has never been developed. The proposed Option 3 new well would be Well No. 7.

STAFF ANALYSIS

Staff recognizes that the Surcharge Application seeks recovery of more than the three elements listed in Order No. 29840. However, Staff does not object to processing this case via Modified Procedure with one additional condition. Staff recommends that the Commission consider holding at least one public hearing on October 11, 2005 for the purpose of obtaining public comment regarding the Company's Surcharge Application. The Staff further recommends that written comments be due no later than October 14, 2005.

Utilizing a comment period greater than 21 days would allow the Staff to conduct discovery. The lengthened comment period would also allow the Company to further supplement its Application with testimony in support of the various additional options that address future needs and future low-pressure concerns.

COMMISSION DECISION

Does the Commission believe that this Application can be processed under Modified Procedure? Does the Commission wish to schedule a public hearing for the purpose of receiving public input? Does the Commission believe that an extended comment period in this case is agreeable? Does the Commission believe that this Application may be processed without formal evidentiary hearings?

Anything else?



Don Howell

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