

## DECISION MEMORANDUM

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

**FROM:** DON HOWELL

**DATE:** MARCH 1, 2007

**RE:** EAGLE WATER'S STATUS REPORT AND PETITION FOR AN  
EXTENSION OF TIME IN WHICH TO FILE ITS CAPITAL  
IMPROVEMENTS APPLICATION, CASE NO. EAG-W-05-2.

On February 28, 2007, Eagle Water Company filed a "Status Report and Petition for Extension of Time" in which to file an application ordered by the Commission to be filed no later than March 1, 2007. In Order No. 30213, the Commission directed that Eagle Water file its final engineering report no later than January 20, 2007. The engineering report was to address chronic low-pressure problems in the Company's existing water system and project water supply needs out to 2010. Order No. 30213 at 1. The Order also required that Eagle Water submit an application no later than March 1, 2007 that contains plans for implementing the system improvements identified in the engineering report. 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 no later than March 10, 2007 and then DEQ would review the report. Based upon DEQ's review, Eagle Water would then submit a "final" engineering report for DEQ's approval. Consent Order at p. 2.<sup>1</sup>

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 the application to implement the 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 20, 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 asserts 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

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<sup>1</sup> A timeline for this proceeding is attached.

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.

### COMMISSION DECISION

Does the Commission wish to continue the current surcharge? Does the Commission wish to grant Eagle Water an extension for filing its system improvement application? Anything else?



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Don Howell

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## EAGLE WATER TIMELINE

August 3, 2005	Commission issues emergency Order to correct low-pressure conditions and prepare engineering report.
August 24, 2005	Eagle Water submits surcharge application to recover costs of immediate improvements, engineering report, and three additional system improvements.
September 16, 2005	Scheduled workshop and public hearing
October 12, 2005	Workshop and public hearing.
October 27, 2005	Order approving surcharge and directing Company to complete engineering report ASAP.
February 6, 2006	Further Order approving surcharge to recover \$112,414
February 17, 2006	DEQ/Eagle Water Consent Order
May 31, 2006	Draft Preliminary Engineering Report (PER)
August 2006	DEQ comments on draft PER
September 2006	Eagle Water engineers working on water system model
October 10, 2006	DEQ implements new fire flow rules
October 25, 2006	DEQ rejects Eagle Water's peak day demand rate in model
October 30, 2006	PUC orders Eagle Water to submit final engineering report by December 31, 2006.
December 20, 2006	Eagle Water seeks extension to file engineering report to January 20, 2007.
December 28, 2006	PUC grants extension to January 2007, extends system improvements to March 1, 2007 and continues surcharge but limits recovery to \$112,414.
January 20, 2007	Draft final engineering report filed.
February 28, 2007	Eagle Water seeks extension to file system improvements application.