

## DECISION MEMORANDUM

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

**FROM:** DON HOWELL

**DATE:** AUGUST 10, 2007

**SUBJECT:** EAGLE WATER COMPANY'S ENGINEERING REPORT AND  
APPLICATION TO CONTINUE THE EXISTING SURCHARGE, CASE  
NO. EAG-W-07-01

On August 6, 2007, Eagle Water Company filed its long awaited Engineering Report pursuant to several previously issued Commission Orders. The purpose of the Engineering Report was to identify infrastructure improvements necessary to serve Eagle Water and its customers. The Company was directed to file an application seeking approval to begin construction on the necessary infrastructure improvements and to propose a new rate design to recover the costs of the identified improvements and make other rate changes as necessary. Order No. 30331 at 1.

In its Application Eagle Water reports that on July 10, 2007, the Eagle City Council approved an Asset Purchase Agreement which would allow the City to purchase Eagle Water. Pursuant to its Purchase Agreement, the parties anticipate that the transaction will close in November 2007. Application at ¶ 21.

### THE APPLICATION

Although the sale of the Company is pending, Eagle Water makes several requests in its Application. First, the Company seeks authority to recover additional engineering, legal and accounting fees of \$201,434. Application at ¶ 23. The Company's fee request is broken down as follows:

Type of Fee	Amount Requested
Engineering	\$138,653.00
Legal	27,842.00 (\$11,334 paid from other sources)
Accounting	862.50
TOTAL	\$167,357.50*

\* Plus \$34,076 to reimburse other accounts, for a total of \$201,433.50

The Application indicates that Eagle Water has thus far paid \$102,358 (from all sources) in engineering, legal and accounting fees. Application ¶¶ 14-16. Some of these fees were paid from sources other than the existing surcharge account.

Second, the present surcharge account has a balance of approximately \$91,300. Eagle Water requests that it be allowed to take possession of this existing balance to pay for the outstanding fees. *Id.* at ¶ 24. Third, after obtaining access to the \$91,300, Eagle Water requests authority to borrow approximately \$110,000 “to cover the [remaining balance of the] professional fees.” *Id.* Finally, the Company requests that the existing surcharge be continued and the surcharge would presumably be sufficient to defray the \$110,000 bank loan over two years. The Company requests that this Application be processed under Modified Procedure.

#### STAFF RECOMMENDATION

Given the voluminous nature of the Engineering Report, the Staff has not had sufficient time to review the Report and Application. Consequently, the Staff is not in a position to recommend whether this case be processed under Modified Procedure. However, Staff believes that the Commission may issue a Notice of Application and a deadline for intervention.

#### COMMISSION DECISION

Does the Commission wish to issue a Notice of Application and a deadline for intervention?

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Don Howell

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