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2009 SEP 18 PM 3:47

IDAHO PUBLIC
UTILITIES COMMISSION

18 September 2009

Ms. Jean Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington St. 83702-5983
Boise ID 83720-0074

Via Hand Delivery

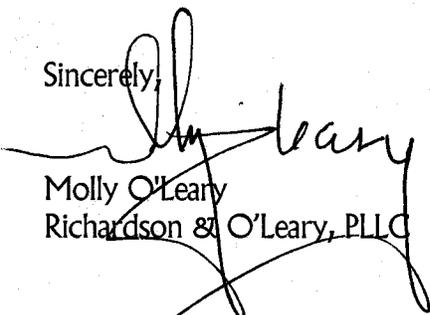
RE: CASE NO. EAG-W-09-01

Dear Ms. Jewell:

Enclosed herewith please find an original and three copies of Eagle Water Company, Inc.'s Reply Comments in the above-referenced matter.

We have provided one additional copy to be date stamped for our file.

Sincerely,


Molly O'Leary
Richardson & O'Leary, PLLC

Enclosure

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Attorneys for Eagle Water Company, Inc.

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF EAGLE WATER)	CASE NO. EAG-W-09-01
COMPANY, INC.'S APPLICATION FOR)	
AUTHORITY TO IMPLEMENT A)	EAGLE WATER COMPANY, INC.'S
TEMPORARY CUSTOMER SURCHARGE)	RESPONSE TO COMMENTS OF
)	COMMISSION STAFF

COMES NOW, Eagle Water Company, Inc. ("Eagle Water" or "the Company"), by and through undersigned counsel, and files this Reply to Staff Comments dated August 27, 2009.

1. Well #7 Generator

The first item Eagle Water would like to address is the Staff's assertion, at page 7 of its Comments, that the "365-kW standby power generation unit is oversized to operate the 200-hp pumping unit for Well No. 7." It is Eagle Water's position that, while it may be true that a 365-kW generator is powerful enough to operate a 300-hp pump, the Staff's comment ignores the real world fact that a new standby generator would have cost the Company a minimum of \$45,000.00 up to a maximum of \$75,000.00, while the "oversized" used 365-kW generator cost the Company a mere \$28,000.00 – an up-front

cost savings to our customers of between \$17,000.00 and \$47,000.00. See **EWCO Exhibit J**, attached hereto. Eagle Water also notes that the “365-kW standby power generation unit” is just that – a standby power source. This is not a power source that the Company will ever rely on as a primary power source for Well #7. It is only necessary in the unlikely event that there is a failure of the primary power source for Well #7, and even then it would not be in service for a prolonged period of time. In addition, the Staff Comments contain no factual documentation in support of Staff’s recommendation for a \$10,356.00 deduction off the already steeply discounted, bargain price of \$28,000.00 that Eagle Water was able to secure for the Well #7 generator.

2. Well #4 Rebuild

Eagle Water disagrees with Staff’s conclusion that increasing the horse power of the Well#4 pump was unnecessary. In support of its position, the Company submits a letter from MTC, Inc. to Robert V. DeShazo, Jr., president of Eagle Water, regarding the engineering decision to increase the horsepower of the well pump from 200 hp to 300 hp. *See EWCO Exhibit K*, attached. MTC, Inc. serves as a consulting engineer to the Company and the decision to increase the horse power for the Well#4 pump was based on its sound engineering advice. In addition, the Staff Comments contain no factual documentation in support of Staff’s recommendation for a \$4,078 deduction from the cost of the 300-hp pump.

3. Well #8

As previously noted, Eagle Water – like many other businesses affected by the current economic downturn – is experiencing a serious cash flow shortage, hence the current Surcharge Application. As the Commission is aware, the proposed surcharge is

intended to provide security against which Eagle Water can borrow the necessary funds to pay-off completed capital improvements and to finance ongoing and additional capital improvements needed to ensure that it continues to meet the demands of its customers and is in full compliance with all applicable public drinking water regulations. Consequently, Eagle Water needs to be able to borrow the funds for the purchase of the Well #8 well site [presently, \$63,150.00] and for drilling Well#8 [\$148,350.00], in order to free up enough capital reserve to self-finance the completion of Well #8 before, as the Staff suggests (Staff Comments at p. 18), the Company requests that the balance of the Well #8 costs [presently estimated at \$426,035.00]. Eagle Water cannot borrow the funds to pay for the well site expense and the drilling expense, however, without authorization from the Commission to recover those costs from the proposed surcharge.

As an update to Eagle Water's earlier response to Staff's production Request No. 30, the Company is happy to report that it obtained the long sought-after building permit for the Well #8 well-house earlier this week and is ready to proceed with completion of Well #8, funds permitting.

RESPECTFULLY SUBMITTED this 18th day of September, 2009.

Richardson & O'Leary, PLLC

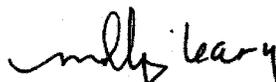
By 
Molly O'Leary
Attorneys for Petitioner
Eagle Water Company, Inc.

EXHIBIT J

~~PRIEST ELECTRIC~~

Sales Quotation

Date: 9/16/2009

To: EAGLE WATER CO., INC
ROBERT DESHAZO JR.
Phone: 208-939-0242
Fax: 208-939-0267

Quotation No. LE091609-1EWC
Delivery: 4 WEEKS
Freight Terms: FOB FACTORY
Payment Terms: Net 10 Days

Number of Pages: 1

Pricing Valid for 30 days.

We are pleased to quote the following:

1. 1 ea. 200 HP Standby Diesel driven skid mounted generator across the line start.....\$75,000.00
2. 1 ea. 200 HP Standby Diesel driven skid mounted generator with VFD start.....\$45,000.00

Priest Electric
412 Simplot Blvd
Caldwell, Idaho 83805

Phone: (208) 459-6351
Fax: (208) 459-6588
Toll Free (800) 234-4089

Prepared by: Lee Evans
E-mail lee@priestelectric.com

EXHIBIT K



MTC, INC.

CONSULTING ENGINEERS, SURVEYORS, AND PLANNERS

707 N. 27TH ST. BOISE, IDAHO 83702-3113 (208) 345-0780 FAX (208) 343-8967



September 16, 2009

Mr. Robert DeShazo
Eagle Water Co.
P.O. Box 455
Eagle, ID 83616

Dear Robert,

As you requested here is my response to item 2 of the staff comments for Well # 4 reconditioning.

The well was tested at 3046 gpM with a drawdown of 145 feet. This test as with most well tests are for specific capacity and yield. These tests are to free discharge at the Well head. $(3046)(145)/3960$ equates to a requirement of 112 horse power motor for this condition. When we add the pressure at the pump head, 120 psi, this changes the requirement. $(3046)(145 + (120 \times 2.31)) / 3960$ requires 324,75 horse power. An electric motor can be 10% over rated power for a short period of time and therefore we suggested a 300 horsepower motor be installed when we were not getting enough water at the booster pump. $300 \times 10\% = 330$. This minor calculation was all that was needed to determine the need for Well No. 4. No detailed report would have yielded a different answer and would have cost considerable more to detail the minor losses etc.

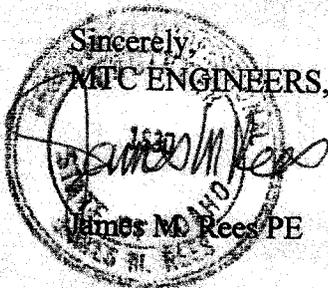
I do not agree with the staff analysis of well No. 4 based on this simple calculation.

I also find it hard to understand the staff questioning the cost of the used generator. The statement of "the extra cost of an oversized generator" seems to lack the consideration of the cost of a new smaller generator. It's hard for me to believe that less is more when the generator is for standby purposes and will probably only be started for test purposes more than one time per week.

I hope this answers your question and give you my opinion of the staff analysis.

Sincerely,

MTC ENGINEERS, INC.

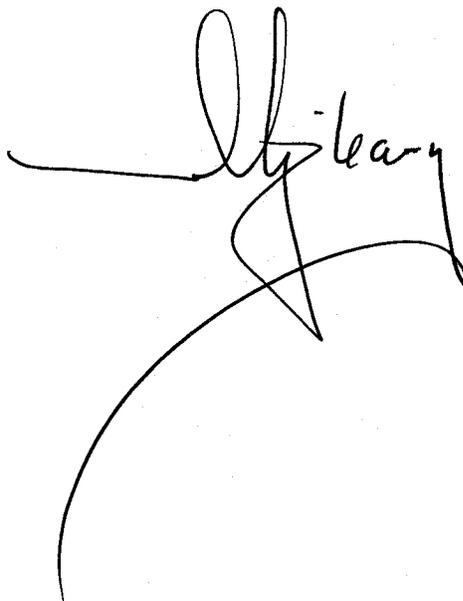


CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 18th day of September, 2009, a true and correct copy of the within and foregoing REPLY COMMENTS OF EAGLE WATER COMPANY, INC., Case EAG-W-09-01, were filed with the Commission Secretary and served by the means indicated below, to:

Idaho Public Utilities Commission Staff
P O Box 83720
Boise ID 83720-0074

U.S. Mail
 Hand-Delivered
 Facsimile
 Electronic Mail

A handwritten signature in black ink, appearing to read "J. Leary", with a large, sweeping flourish underneath.