

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF EAGLE WATER** )  
**COMPANY’S APPLICATION FOR** ) **CASE NO. EAG-W-09-01**  
**AUTHORITY TO IMPLEMENT A** )  
**CUSTOMER SURCHARGE** ) **NOTICE OF PUBLIC WORKSHOP**  
) )  
) **NOTICE OF**  
) **MODIFIED PROCEDURE**  
) )  
) **ORDER NO. 30878**

---

On January 22, 2009, Eagle Water Company filed an Application to implement a surcharge on customers’ water usage in excess of 600 cubic feet per month. The Company also requested permission to access existing funds in its surcharge account. The new surcharge and the balance remaining in the previous surcharge account would be used by Eagle Water to defray the costs of several capital improvement projects and expenses totaling more than \$1.6 million. Application at 3-5. The Company stated in its Application that the surcharge will be subject to refund if the requested expenses are “not ultimately approved by the Commission for Surcharge recovery.” *Id.* at 7 (emphasis added). Eagle Water requested that its Application be processed via Modified Procedure.

On February 23, 2009, the Commission issued Order No. 30734 granting the Company’s request for surcharge, subject to refund. The Commission also set a deadline for interested persons to intervene in this case. No Petitions to Intervene were filed. Staff completed its review of the Application and discussed with the Company how this case should be processed. The Company and the Staff recommend that the case be processed under Modified Procedure. We agree and issue this Order accordingly.

**BACKGROUND**

***A. The Application***

In its Application, Eagle Water sought to recover the costs of constructing several capital projects that are either complete or under construction. In addition, the Company requested recovery of its \$10,000 per month “tie-in” expense with the City of Eagle<sup>1</sup>, \$600 in

---

<sup>1</sup> In Case No. EAG-W-08-01, the Company agreed to pay the City of Eagle \$10,000 per month so that the utility could serve the Floating Feather Mobile Home Park.

accounting fees, and approximately \$37,500 in legal fees. As set out in the Application, the projected costs of the capital improvements and other expenses are outlined below.

| <u>Capital Improvements Completed</u>    | <u>Cost</u>      |
|--|------------------|
| Well No. 7                               | \$605,988        |
| Floating Feather Pressure Reducing Valve | \$ 43,630        |
| Tie-In to City of Eagle                  | \$ 22,347        |
| Rebuild Well No. 4                       | <u>\$ 59,755</u> |
| Sub Total                                | \$731,720        |

| <u>Capital Improvements in Progress</u>  | <u>Cost</u>      |
|--|------------------|
| Main Booster Station (Motor & Generator) | \$175,100        |
| Well No. 8                               | <u>\$636,520</u> |
| Sub Total                                | \$811,620        |

| <u>Expenses</u>                            | <u>Cost</u>     |
|--|-----------------|
| Legal & Accounting Fees                    |                 |
| Prior Surcharge Application Legal Fees     | \$ 6,048        |
| Engineering Report Legal Fees              | \$16,554        |
| Surcharge Extension Application Legal Fees | \$14,906        |
| Surcharge Extension Accounting Fees        | <u>\$ 600</u>   |
| Legal & Accounting Fees Sub Total          | \$38,108        |
| Eagle City Tie-In Expense (\$10,000/month) | <u>\$60,000</u> |
| Sub Total                                  | \$98,108        |

The combined total for the capital improvement projects is \$1,543,340 and the total for expenses is \$98,108. Application at 2-5.

To defray the costs set out above, the Company proposed to borrow \$995,500 from the Idaho Banking Company. According to the proposed terms of the bank loan, Eagle Water will borrow \$995,500 at 6.75% over a term of seven years. Application, Exh. E. To repay the loan, the Company proposed to implement an immediate surcharge of 48.075% for customer usage above 600 cubic feet per month. In addition to the surcharge, the Company also requested permission to access the remaining balance in the surcharge account. At the time of the Application, the Company reported the current balance in the surcharge account was approximately \$218,000. Application at n.3. The Company proposed to use these surcharge account funds to complete work on the main booster pump and Well No. 8. *Id.* at 6. Completion of Well No. 8 would allow the Company to terminate its tie-in agreement with the City of Eagle, thereby saving \$10,000 per month.

Even with the surcharge, Eagle Water asserted that its overall rates “would remain well below those of the City of Eagle and United Water of Idaho.” Application, Exh. H. Eagle Water maintained that an immediate surcharge (subject to refund) is necessary to ease its cash flow restrictions “brought about by the need to complete Well No. 7 and the City of Eagle tie-in in order to satisfy DEQ regulatory requirements and lift the sanitary restrictions moratorium.” Application at 7. The current constriction of the Company’s cash flow severely limits Eagle Water’s “ability to meet current demands for payment of other capital improvements that are underway.” *Id.* The Company requested that the surcharge take immediate effect. *Id.*

***B. The Commission’s Prior Order***

In Order No. 30734 issued February 23, 2009, the Commission allowed Eagle Water to implement its surcharge subject to refund. The Commission observed that because the surcharge is subject to refund, “ratepayers are protected until the Commission has completed its review of the reasonableness and prudence of the Company’s capital costs and expenses set out in its Application.” Order No. 30734 at 4.

The Commission also found it was reasonable to allow the Company to execute the bank loan and access the remaining balance in the surcharge account. The Commission observed that completing Well No. 8 would allow Eagle Water to save \$10,000 per month by eliminating the tie-in expense. The surcharge would provide the revenue to pay back the loan. *Id.* The Commission expressly reserved the right to subsequently determine the reasonableness and prudence of the capital costs and expenses. *Id.* at 6.

Pursuant to our Order No. 30734, the Company and the Staff met informally to develop a schedule to process this case. The parties recommended that the case be processed under Modified Procedure and that the Commission schedule a public workshop. Given the agreement between the parties, we adopt the proposed schedule as set out in greater detail below.

**NOTICE OF PUBLIC WORKSHOP**

YOU ARE HEREBY NOTIFIED that the Commission Staff will hold a public workshop for customers of Eagle Water Company. The purpose of the public workshop is to provide customers with an overview of the Company’s Application and advise customers how to participate in the process. At the workshop customers will also have an opportunity to ask questions of the Staff regarding the Company’s Application. Representatives of the Company may also be available. The Staff will hold its public workshop **AT 7:00 P.M. ON**

NOTICE OF PUBLIC WORKSHOP  
NOTICE OF MODIFIED PROCEDURE  
ORDER NO. 30878

**WEDNESDAY, AUGUST 26, 2009, AT THE EAGLE CITY HALL, 600 EAST CIVIC LANE, EAGLE, IDAHO.**

YOU ARE FURTHER NOTIFIED that the Application has been filed with the Commission and is available for public inspection during regular business hours at the Commission offices. The Application is also available on the Commission's web site at [www.puc.idaho.gov](http://www.puc.idaho.gov) by clicking on "File Room" and then "Water Cases."

**NOTICE OF MODIFIED PROCEDURE**

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission **no later than August 27, 2009**. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Application shall be mailed to the Commission and Eagle Water at the addresses reflected below:

Commission Secretary  
Idaho Public Utilities Commission  
PO Box 83720  
Boise, ID 83720-0074

Robert V. DeShazo, Jr.  
Eagle Water Company  
PO Box 455  
Eagle, ID 83616

Street Address for Express Mail:

472 W. Washington Street  
Boise, ID 83702-5918

Molly O'Leary  
Richardson & O'Leary PLLC  
PO Box 7218  
Boise, ID 83707  
E-Mail: [molly@richardsonandoleary.com](mailto:molly@richardsonandoleary.com)

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at [www.puc.idaho.gov](http://www.puc.idaho.gov). Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to Eagle Water at the e-mail address listed above.

YOU ARE FURTHER NOTIFIED that Eagle Water may file **reply comments no later than September 18, 2009.**

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that the Commission has jurisdiction over this matter under Title 61 of the Idaho Code, and specifically *Idaho Code* §§ 61-302, 61-307, 61-502, 61-503, 61-507, and 61-622. The Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

#### **ORDER**

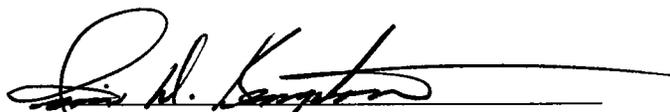
IT IS HEREBY ORDERED that this Application be processed under Modified Procedure, IDAPA 31.01.01.201-204. Persons interested in submitting written comments in this matter should do so no later than August 27, 2009. If necessary, Eagle Water may file reply comments no later than September 18, 2009.

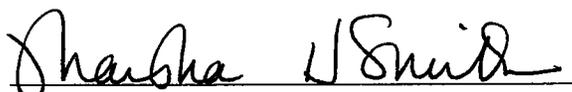
IT IS FURTHER ORDERED that the parties conform to the schedule set out in the body of this Order.

IT IS FURTHER ORDERED that the parties serve any further discovery and their comments upon each other by electronic mail. IDAPA 31.01.01.063.

IT IS FURTHER ORDERED that the Commission specifically reserves the right to determine the reasonableness and prudence of the capital costs and expenses for which the Company currently seeks recovery. In the event the Commission subsequently disallows recovery of any portion of the costs or expenses, the amount disallowed will be solely the responsibility of Eagle Water Company and not recoverable from customers. Eagle Water may be required to reimburse the surcharge account or customers for any disallowed amounts paid from that account. If the outstanding loan covers disallowed costs, Eagle Water will be required to pay these amounts directly to the bank.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 12<sup>th</sup>  
day of August 2009.

  
JIM D. KEMPTON, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
MACK A. REDFORD, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

bis/O:EAG-W-09-01\_dh2