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APPLICATION FOR APPROVAL

IDAHO PUBLIC
UTILITIES COMMISSION

March 13, 2003

Idaho Public Utilities Commission
Attn. Commission Secretary
472 West Washington
Boise, ID 83804

SUS-W-03-01
NEW CASE

Application of CDS Stoneridge Utilities, LLC for approval to acquire the service territory of Happy Valley Ranchos Inc., to complete an interconnection, to borrow funds, to amend Certificate of Convenience and Necessity Number 395, and implement a surcharge.

Application is hereby made by CDS Stoneridge Utilities, LLC (SU or Stoneridge) for approval by the Idaho Public Utilities Commission for Stoneridge to complete an interconnection between the existing SU water system and the neighboring Happy Valley Ranchos Inc. homeowner's association (HVR) water system; to borrow funds from the Idaho Department of Environmental Quality (DEQ) to complete the construction of the interconnection; to amend Certificate of Convenience and Necessity Number 395 to include the HVR customers within SU's service area, and; to implement a surcharge of \$12.04 per month applicable to only to customers on the HVR side of the interconnection to service the debt for the project. The surcharge will expire upon satisfaction of the loan taken out to complete the interconnection project in 20 years.

The HVR water system has been experiencing significant water quality problems. Extremely high iron in the water from the HVR wells has necessitated the installation of filters that are expensive to maintain and has resulted in the accumulation of iron deposits in the pipes on the system. HVR initiated discussions with SU regarding a possible interconnection between the two systems in order to gain access to the high quality SU water supply.

CDS Stoneridge Utilities, LLC (SU) and Happy Valley Ranchos Water, Inc. (HVR) have reached an agreement in principle regarding the merger of HVR users into the SU system (please find enclosed Exhibit A an executed Letter of Understanding between SU and HVR). Additionally, HVR users voted 82% in favor of coming onto SU's system as outlined in Exhibit A (please find enclosed Exhibit B a letter to SU from the president of HVR representing the votes from their users). The primary reason, but not the only reason, for this heavy vote in favor of HVR coming on SU's system relates to the quality of water HVR has in their wells.

The effects this connection will have on the existing customers of SU will be minimal as the level of service, infrastructure and quality of water has been excellent for a number of years. HVR customers will experience better quality water and a higher level of service since SU has a full time staff. Upon completion of the interconnection project, customers on the HVR side of the interconnection will become customers of SU and begin paying the authorized tariff rates of SU plus the \$12.04 monthly surcharge. This surcharge rate could fluctuate up or down depending on the final cost of design, construction and completion of this interconnection. These customers are metered and are currently paying \$21 per month for zero to 20,000 gallons. These customers will experience an increase in their water rates of approximately 25-52% (depending on the number of gallons actually consumed).

The legal description of the service area to be transferred to SU from HVR, plat maps of both systems and preliminary engineering and estimated cost detail of the interconnection project are attached as Exhibits C, D & E.

A Letter of Understanding in regards to this agreement has been executed (Exhibit A) and the parties are currently working toward a definitive legal agreement. This agreement can be cancelled by SU in the event something is discovered in the due diligence process not previously accounted for. Additionally, this agreement is subject to the approval of this Application by the Idaho Public Utilities Commission and receiving debt financing from the Idaho Department of Environmental Quality (DEQ).

Financing sources for this project will come from minimal grant dollars for engineering design from the DEQ and low cost (2%) debt financing from the DEQ. Attached as Exhibit F are copies of the DEQ Drinking Water Loan & Grant Summary of Steps & Requirements, our letter as to the completion of "Step 1" the Priority List and a contract showing the completion of "Step 2" the Consultation Selection. As you can see we have engaged in "Step 3" working our way through DEQs 8-step process. The DEQ encourages the merging of smaller systems together into fewer larger water systems. There is no other financing for this project contemplated at this time.

Exhibit G provides an overview of the debt financing (using the cost estimates from Exhibit E) and the calculation of the surcharge required for the debt service costs.

On March 28, 2003, a notice of this Application will be provided to all customers on both water systems. A copy of that notice is attached as Exhibit H together with a mailing list of all customers on both systems.

The primary contact for SU regarding this Application is:

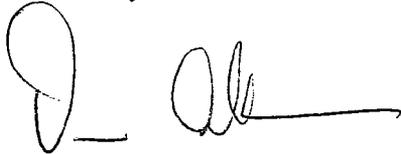
Dean Allara
Managing Member
364 Stoneridge Road
Blanchard, ID, 83804
(650) 579 1350

The primary contact for HVR is:

Steve Hites
President
PO Box 370
Blanchard, ID 83804
(208) 437 2127

We request that the Idaho Public Utilities Commission expeditiously process this case and issue its order in a timely manner so the project may go forward to completion during the upcoming construction season.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Allara', with a long horizontal stroke extending to the right.

Dean Allara
Managing Member, CDS Stoneridge Utilities, LLC

Exhibit A



P.O. BOX 280
364 STONERIDGE ROAD
BLANCHARD, IDAHO 83804
PHONE 800-952-2948
208-437-3148
FAX 208-437-3048
STONERIDGEIDAHO.COM

February 6, 2003

Happy Valley Ranchos Water, Inc.
Board of Directors
Attn. Steve Hites-President

This is a Letter of Understanding between Happy Valley Ranchos Water, Inc. (HVR) and CDS Stoneridge Utilities, LLC (SU) regarding the merger of HVR users onto SU water system. After completion of this merger current and future HVR users will be customers of the SU water system. SU will provide all water services to the HVR customers. These services include, but are not limited to, water service to the end user, ongoing maintenance, billing and collections. The Idaho Public Utility Commission (IPUC) will regulate all services provided by SU. The HVR entity will cease to provide services to the users and all plant and equipment assets owned by HVR to be utilized after the interconnection is complete would become the property of SU. All plant and equipment owned by HVR that will not be utilized for the interconnection will become obsolete and will remain in the ownership of HVR. Additionally at the discretion of the Board of Directors of HVR, HVR may retain a board seat on SU Board of Directors. Per the letter dated January 11, 2003 it is SU understanding that you have authorization from your users to move forward in this regard.

In order to connect the HVR users to the SU water system, notable engineering, construction and capital equipment is required to upgrade HVR's current plant and equipment and connect it to SU water system. These engineering, construction and capital equipment costs will be born by the end users of HVR via debt financing and/or grant proceeds attained by SU. The financing is to be provided by the Idaho Department of Environmental Quality (DEQ) at an interest rate of 2% amortized over 20 years. The current engineering, construction and capital equipment costs are estimated to be approximately \$200,000. The exact amount financed will be determined by the actual amounts expended. The construction and capital equipment amount paid for these services will be determined via a competitive bid process. Once the work has been completed and HVR end users are on the SU water system, there will be a Special Assessment for the HVR users only, to ensure the principal and interest are paid back on the payment schedule as dictated by the terms of the DEQ loan. It is anticipated to take six months to attain the financing approval from DEQ.

Upon determination of the necessary preliminary engineering costs, HVR and SU will make reasonable efforts to agree to split such costs in the event the merger does not materialize.

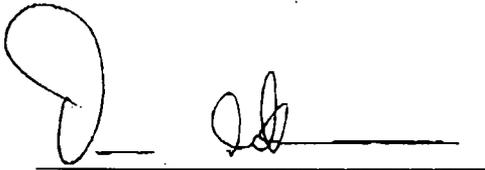
SR

Upon execution of a Definitive Agreement between HVR and SU, SU will have a period of 60 days to perform all necessary due diligence on the HVR plant and equipment. In the event that SU finds an issue with said plant and equipment, as determined in SU's sole discretion, SU has the right to terminate the Definitive Agreement and has no further obligations.

Additionally, this Letter of Understanding and any Definitive Agreement executed hereafter is subject to receiving approval from the IPUC and funding from DEQ. In the event either of these events do not happen this Letter of Understanding and any Definitive Agreement signed hereafter will be null and void.

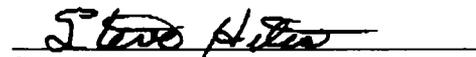
It is expected that a definitive agreement will be reached by March 15, 2003 and IPUC and DEQ approval will be attained no later than September 15, 2003.

Sincerely,

Handwritten signature of Dean Allara, consisting of a large, stylized 'D' followed by a smaller signature, both written in black ink over a horizontal line.

Dean Allara
Managing Member, CDS Stoneridge Utilities, LLC

Agreed and Accepted:

Handwritten signature of Steve Hites, written in black ink over a horizontal line.

Steve Hites
President, Happy Valley Ranchos Water, Inc.

Exhibit B

January 11, 2003

StoneRidge Company
1 Blanchard Road,
Blanchard, Idaho 83804

Attn: Dean Allara

Dear Mr. Allara,

This letter is to confirm the conversation you had with Larry Burk of Happy Valley Ranchos Water Board.

The vote was 82% in favor of StoneRidge and 18% in favor of keeping our own well. We can be working on this at the same time the FUC is acting on your application. Therefore we are looking forward to a meeting with you to discuss our next move.

You may either call Larry Burk or myself, Steve Hites, to set up a meeting.

Sincerely,

Steve Hites,
President
Happy Valley Ranchos Water, Inc.

Steve Hites

Phone 208-437-2127

Exhibit C

LARGE MAPS IN CASE FILE

Exhibit D

LARGE MAPS IN CASE FILE

Exhibit E

CLIENT: Stoneridge Utilities, Bridge Partners, Inc.
PROJECT: Water System Connection to Happy Valley Ranchos Water System, Alternate 1
SUBJECT: Engineer's Estimate of Probable Cost, Assuming 2002 Construction

Prices are based on area contractor rates and include material and installation costs.

ITEM	DESCRIPTION	ESTIMATED QUANTITY	UNITS	UNIT PRICE	EXTENDED AMOUNT
WITH PUMPHOUSE					
1	Mobilization	1	LS	\$ 8,000.00	\$ 8,000.00
2	8" PVC Pipe, C900 CL 150	3,500	LF	\$ 15.00	\$ 52,500.00
3	Connection to Existing Systems	2	LS	\$ 1,000.00	\$ 2,000.00
4	8" Gate Valve	2	Ea	\$ 750.00	\$ 1,500.00
5	Road Crossing w/Surface Repair	30	LF	\$ 20.00	\$ 600.00
6	Sand Bedding	3,500	LF	\$ 1.00	\$ 3,500.00
7	Pumphouse Construction	1	LS	\$ 35,000.00	\$ 35,000.00
8	Air Relief Valve Assembly	1	Ea	\$ 1,500.00	\$ 1,500.00
9	Fire Hydrant Installations	8	Ea	\$ 2,250.00	\$ 18,000.00
10	Small Blowoff	5	Ea	\$ 500.00	\$ 2,500.00
11	Large Blowoff	1	Ea	\$ 1,000.00	\$ 1,000.00
12	Recoat Tank Interior	2	Ea	\$ 5,500.00	\$ 11,000.00
13	Install Additional Storage Tanks-3,000 Gal	2	LS	\$ 5,000.00	\$ 10,000.00
Subtotal Construction					\$ 147,100.00
Contingency		10%			\$ 14,700.00
Total Construction					\$ 161,800.00
Allied Costs, Engineering, Legal, Admin		25%			\$ 40,500.00
TOTAL ESTIMATED PROJECT COST					\$ 202,300.00
Cost per ER, Total		90	ER		\$ 2,200.00
Cost per ER, Monthly w/20 yr 2% DEQ Loan					\$ 11.50

Exhibit F

Idaho DEQ Drinking Water Loan & Grant Summary of Steps & Requirements

1. **Priority List** - To be eligible for a loan or grant, a qualified entity (district, municipality, association or private public drinking water system) must be placed on the DEQ Priority Lists. These lists are developed each spring and they go into effect in July. An interested entity should submit a letter to DEQ describing the project with emphasis on how public health will be protected by completing the project.
2. **Consultant Selection** - Hire an engineer to prepare an engineering report and environmental evaluation in accordance with Idaho Code 67-2320. Documentation that the engineer selection process was done in accordance with Idaho Code will need to be kept on file. The engineer must be licensed in Idaho and have liability insurance and the engineering contract must be approved by DEQ if the entity receives a DEQ grant or would like the costs for the engineering report to be retroactively fundable through the loan.
3. **Engineering Report** - Complete an engineering report and the environmental review process in accordance with state guidelines. This report will be used to solicit comments from the public and agencies on the proposed plan. Up to 50% of the costs of preparing this report could be covered through the DEQ drinking water grant program. If the entity does receive a loan in the future for design and construction, it is possible for the 50% matching share or 100% of the costs for preparing the report to be included in the loan. The DEQ project officer should be consulted before hiring a consultant to determine how this retroactive reimbursement can occur.
4. **Incur Debt** - A district, municipality or association, must hold a bond election or form a Local Improvement District (LID) or receive a Judicial Confirmation to incur debt. A private system must demonstrate that there is adequate security for the repayment of the loan.
5. **Capacity Assessment** - Receive Boise State University (BSU) recommendation for funding after BSU and DEQ conduct a "Managerial, Financial and Technical Capacity Assessment".
6. **Loan** - Receive a loan currently at an interest rate of 3.75% for 20 years. Starting July 1, 2001, the rate will change to 3.75% for portions of the project not related to Safe Drinking Water Act compliance and 2% for those portions of the project related to Safe Drinking Water Act compliance. Some projects will have a composite rate of less than 3.75% but greater than 2%. Projects involving the consolidation of two (2) or more water systems may also receive the 2% interest rate. Disadvantage loans may be awarded if the applicant can show that household median income does not exceed 80% of the statewide non-metropolitan median household from the most recent census data, and the annual cost of drinking water service for residential customers exceeds 2% of the median household income.
7. **Loan Conditions** - Two (2) important loan conditions are the following:
 - The operator in charge of the water system will need the appropriate level of certification or have graduated from an approved training program and demonstrate he or she is competent to operate the facility.
 - Individual water meters **may** need to be installed throughout the system and utilized for billing users.
8. **Design and Construction** - Prepare plans and specifications and submit to DEQ for approval. Bid the project in accordance with Idaho Code. Proceed to construction.

Contact: John Tindall
Coeur d'Alene DEQ Office
(208) 769-1422

COPY

JAMES A. SEWELL & ASSOCIATES

Consulting Engineers & Land Surveyors

Newport

600 4th Street West

Newport, Washington 99156

(509) 447-3626

(208) 437-2641

(509) 447-2112 Fax

Sandpoint

Pend Oreille Professional Center

30336 Highway 200, Suite C

Sandpoint, Idaho 83864

(208)263-4160

Fax (208)263-5229

*Civil Engineering *Electrical Engineering *Land Surveying *Building Inspection

Spokane

Hutton Building

9 South Washington, Suite 708

Spokane, Washington 99201

(509) 747-5794

(509) 747-5798 Fax

May 24, 2002

Department of Environmental Quality
2110 Ironwood Parkway
Coeur d'Alene, ID 83814

Attn: John Tindall, P.E.

Subj: Stoneridge Utilities, Connection of Happy Valley Ranchos Water System, Water System Improvements

Ref: Request to be Included on Priority Funding List

Dear John:

On behalf of Stoneridge Utilities Company and Happy Valley Ranchos Water, Inc., we wish to request consideration to be placed on the Priority Funding List for DEQ Grant/Loan Program funding of water system improvement projects.

The projects include connection of the Happy Valley Ranchos Water System to the Stoneridge Water System, and improvements to the Stoneridge Water System. We have included an Engineer's Estimate of Probable Cost for both projects, each of which list total estimated project costs for these projects.

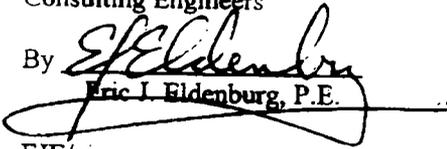
It is our understanding that placement on the Priority Funding List establishes no obligation to accept program funding; however, if sufficient interest exists, we also understand that the projects could be funded as early as this year.

We appreciate your consideration of this request. Should you need additional information or if you have questions or comments, please don't hesitate to contact me or officials of each water company.

Sincerely,

JAMES A. SEWELL & ASSOCIATES
Consulting Engineers

By


Eric J. Eldenburg, P.E.

EJE/eje

pc: Dean Allara, Bridge Partners, Inc., 60 East 3rd Ave, Suite 112, San Mateo, CA 94401 w/encl
Happy Valley Ranchos Water, Inc., P.O. Box 158, Blanchard, ID 83804 w/encl
File w/encl

CDS STONERIDGE UTILITIES LLC
HAPPY VALLEY RANCHOS WATER SYSTEM CONNECTION 2003

AGREEMENT FOR ENGINEERING SERVICES

This Agreement, made this 25th day of February, 2003,

by and between CDS Stoneridge Utilities LLC, hereafter

referred to as the OWNER, and James A. Sewell & Associates hereinafter
referred to as the ENGINEER:

THE OWNER intends to construct the Happy Valley Ranchos Water System Connection 2003 in Bonner County, State of Idaho, which may be paid for in part with financial assistance from the Idaho Department of Environmental Quality, hereinafter referred to as DEQ, and for which the ENGINEER agrees to perform the various professional engineering services for the design and construction of said system upgrade.

The Happy Valley Ranchos Water System Connection 2003 project consists of installation of approximately 3,500 LF of 8" waterline with appropriate appurtenances, construction of a pump house, installation of approximately 8 fire hydrants, recoat interior of the upper HVR water tank, and install two additional 3,000 gallon water tanks at the upper HVR water tank.

WITNESSETH:

That for and in consideration of the mutual covenants and promises between the parties hereto, it is hereby agreed:

SECTION A: ENGINEERING SERVICES

The ENGINEER shall furnish engineering services as follows:

1. The ENGINEER will conduct preliminary investigations, prepare preliminary drawings, provide a preliminary itemized list of probable construction costs effective as of the date of the Engineering Report, and submit an Engineering Report following DEQ instructions and guides. The Engineering Report shall conform to the outline as provided in Section 58.01.22.030.01 of the Rules for Administration of Planning Grants for Public Drinking Water Facilities. Additionally, the Report shall conform to the Drinking Water Facilities Outline and Checklist for Engineering Reports as published by the DEQ.
2. As a part of the Engineering Report, and for the purposes of the IPUC, the ENGINEER will provide a detailed legal description for the Happy Valley Rancho water system area to be acquired. The ENGINEER will also provide plat maps of HVR system and the Stoneridge system, and will provide a drawing showing how the interconnection will be made.

3. The Engineering Report will include a detailed description of the construction required, and the estimated costs to interconnect the two systems. The Report will also include preliminary construction drawings. When the Engineering Report is accepted, final plans and specifications will be prepared and submitted for approval.
4. The ENGINEER will furnish 10 copies of the Engineering Report, and layout maps to the OWNER.
5. The ENGINEER will prepare an Environmental Information Document in accordance with DEQ instructions and guides. The Environmental Information Document shall conform to the Environmental Information Document Outline and Checklist as published by the DEQ.
6. The ENGINEER will attend conferences with the OWNER, representatives of DEQ, or other interested parties as may be reasonably necessary.
7. After the Engineering Report and Environmental Information Document have been reviewed and approved by the OWNER and by DEQ, and the OWNER directs the ENGINEER to proceed, the ENGINEER will perform the necessary design surveys, accomplish the detailed design of the project, prepare construction drawings, specifications, and Contract Documents, and prepare a final cost estimate based on the final design for the entire system. It is also understood that if subsurface explorations (such as borings, soil tests, rock sounding and the like) are required, the ENGINEER will furnish coordination of said explorations without additional charge, but the costs incident to such explorations shall be paid for by the OWNER as set out in Section D. hereof.
8. The Contract Documents furnished by the ENGINEER under Section A-7 shall utilize DEQ endorsed construction Contract Documents, including DEQ Supplemental General Conditions, Contract Change Orders, and partial payment estimates. All of these documents shall be subject to DEQ approval. Copies of guide contract documents may be obtained from DEQ.
9. Prior to the advertisement for bids, the ENGINEER will provide for each construction contract, not to exceed 10 copies of detailed drawings, specifications, and contract documents for use by the OWNER, appropriate Federal, State, and local agencies from whom approval of the project must be obtained. The cost of such drawings, specifications, and Contract Documents shall be included in the basic compensation paid to the ENGINEER.
10. The ENGINEER will furnish additional copies of the drawings, specifications and contract documents as required by prospective bidders, material suppliers, and other interested parties, but may charge them for the reasonable cost of such copies. Upon award of each contract, the ENGINEER will furnish to the OWNER five sets of the drawings, specifications and contract documents for execution. The cost of these sets shall be included in the basic compensation paid to the ENGINEER. Original documents, survey notes, tracings, and the like, except those furnished to the ENGINEER by the OWNER, are and shall remain the property of the ENGINEER.
11. The drawings prepared by the ENGINEER under the provisions of Section A-7 shall be in sufficient detail to permit the actual location of the proposed improvements on the ground. The ENGINEER shall prepare and furnish to the OWNER without any additional compensation, three copies of a map(s) showing the general location of needed construction easements and permanent easements and the land to be acquired. Property

surveys, property plats, property descriptions, abstracting and negotiations for land rights shall be accomplished by the OWNER, unless the OWNER requests, and the ENGINEER agrees to provide those services. In the event the ENGINEER is requested to provide such services, the ENGINEER shall be additionally compensated as set out in Section D hereof.

12. The ENGINEER will attend the bid opening and tabulate the bid proposals, make an analysis of the bids, and make recommendations for awarding contracts for construction.
13. The ENGINEER will review and approve, for conformance with the design concept, any necessary shop and working drawing furnished by contractors.
14. The ENGINEER will interpret the intent of the drawings and specifications to protect the OWNER against defects and deficiencies in construction on the part of the contractors. The ENGINEER will not, however, guarantee the performance by any contractor.
15. The ENGINEER will establish baselines for locating the work together with a suitable number of benchmarks adjacent to the work as shown in the contract documents.
16. The ENGINEER will provide general engineering review of the work of the contractors as construction progresses to ascertain that the contractor is conforming with the design concept.
17. Unless notified by the OWNER in writing that the OWNER will provide for resident inspection, the ENGINEER will provide resident construction inspection. The ENGINEER'S undertaking hereunder shall not relieve the contractor of contractor's obligation to perform the work in conformity with the drawings and specifications and in a workmanlike manner; shall not make the ENGINEER an insurer of the contractor's performance; and shall not impose upon the ENGINEER any obligations to see that the work is performed in a safe manner.
18. The ENGINEER will cooperate and work closely with DEQ representatives.
19. The ENGINEER will review the contractor's applications for progress and final payment and when approved, submit same to the OWNER for payment.
20. The ENGINEER will prepare necessary contract change orders for approval of the OWNER, DEQ, and others on a timely basis.
21. The ENGINEER will make a final review prior to the issuance of statement of substantial completion of all construction and submit a written report to the OWNER and DEQ. Prior to submitting the final pay estimate, the ENGINEER shall submit a statement of completion to and obtain the written acceptance of the facility from the OWNER and DEQ.
22. The ENGINEER will provide the OWNER with one set of reproducible record (as-built) drawings, and two sets of prints at no additional cost to the OWNER. Such drawings will be based upon construction records provided by the contractor during construction and reviewed by the resident inspector and from the resident inspector's construction data.
23. If State statutes required notices and advertisements of final payment, the ENGINEER shall assist in their preparation.
24. The ENGINEER will be available to furnish engineering services and consultations necessary to correct unforeseen project operation difficulties for a period of one year after the date of the statement of substantial completion of the facility. This service will include instruction of the OWNER in initial project operation and maintenance but will not include supervision of normal operation of the system. Such consultation and advice

25. shall be furnished without additional charge except for travel and substantial completion. The ENGINEER further agrees to obtain and maintain at the ENGINEER'S expense, such insurance as will protect the ENGINEER from claims under the Workman's Compensation Act and such comprehensive general liability insurance as will protect the OWNER and the ENGINEER from all claims for bodily injury, death, or property damage which may arise from the performance by the ENGINEER or by the ENGINEER'S employer of the ENGINEER'S functions and services required under this Agreement.

26. The services called for in the Section A-1 through A-5 of this Agreement shall be completed and the report submitted within sixty (60) calendar days from the date of the authorization to proceed. After acceptance by the OWNER and DEQ of the Engineering Report and upon written authorization from the OWNER, the ENGINEER will complete final plans, specifications and Contract Documents and submit for approval of the OWNER, DEQ, and all State regulatory agencies within ninety (90) calendar days from the date of authorization unless otherwise agreed to by both parties.

If the above is not accomplished within the time period specified, this Agreement may be terminated by the OWNER. The time for completion will be extended by the OWNER for a reasonable time if completion is delayed due to unforeseeable causes beyond the control and without the fault or negligence of the ENGINEER.

SECTION B - COMPENSATION FOR ENGINEERING SERVICES

1. The OWNER shall compensate the ENGINEER for preparation of the Engineering Report and the Environmental Information Document in the sum of Fifteen Thousand and 00/100 Dollars (\$ 15,000.00) after the review and approval of the Engineering Report and Environmental Information Document by the OWNER and DEQ.

4. The OWNER shall compensate the ENGINEER for design and contract administration engineering services in the amount of: (Select (a) or (b))

a. Fifteen Thousand and 00/100 Dollars (\$ 15,000.00)

b. As shown in Attachment 1 (Not a part of this Agreement)
When Attachment 1 is used to establish compensation for the design and contract administration services, the actual construction costs on which compensation is determined shall exclude legal fees, administrative costs, engineering fees, land rights, acquisition costs, water costs, and interest expense incurred during the construction period.

3. The compensation for preliminary engineering services, design and contract administration services shall be payable as follows:

a. **Engineering Report and Environmental Information Document Engineering Services.** The ENGINEER will render to OWNER an itemized bill for such services, once each month, for compensation for such services performed as

described in Section B- Compensation for Engineering Services, the same to be due and payable by the OWNER to the ENGINEER on or before the 10th day of the following period. OWNER will pay ENGINEER for such services from OWNER funds up to the budget amount of FIFTEEN THOUSAND dollars (\$15,000).

- b. **Design and Construction Administration Engineering Services.** The ENGINEER will render to OWNER an itemized bill for such services, once each month, for compensation for such services performed as described in Section B- Compensation for Engineering Services, the same to be due and payable by the OWNER to the ENGINEER on or before the 10th day of the following period. OWNER will pay ENGINEER for such services from OWNER funds up to the budget amount of FIFTEEN THOUSAND dollars (\$15,000).

SECTION C-COMPENSATION FOR RESIDENT INSPECTION AS SET FORTH IN SECTION A-17

When the ENGINEER provides resident inspection, the ENGINEER will, prior to the preconstruction conference, submit a resume of the resident inspector's qualifications, anticipated duties and responsibilities for approval by the OWNER and DEQ. The OWNER agrees to pay the ENGINEER for such services in accordance with the schedule set out in Attachment 1. The ENGINEER will render to OWNER for such services an itemized bill, once each month, for compensation for such services performed hereunder during such period, the same to be due and payable by the OWNER to the ENGINEER on or before the 10th day of the following period. Under normal construction circumstances, and for the proposed construction period of Ninety (90) calendar days, the cost of resident inspection is estimated to be Six Thousand and 00/100 dollars (\$6,000.00).

SECTION D- ADDITIONAL ENGINEERING SERVICES

In addition to the foregoing being performed, the following services may be provided UPON PRIOR WRITTEN AUTHORIZATION OF THE OWNER and written approval of DEQ.

1. Site surveys for water treatment plants, sewage treatment works, dams, reservoirs, and other similar special surveys as may be required.
2. Laboratory tests, well tests, borings, specialized geological, soils, hydraulic, or other studies recommended by the ENGINEER.
3. Property surveys, detailed description of sites, maps, drawings, or estimates related thereto; assistance in negotiating for land and easement rights.
4. Necessary data and filing maps for water rights, water adjudication, and litigation.
5. Redesigns ordered by the OWNER after final plans have been accepted by the OWNER and DEQ, except redesigns to reduce the project cost to within the funds available.
6. Appearance before courts or boards on matters of litigation or hearings related to the project.

- 7. Preparation of environment impact assessments or environmental impact statements.
- 8. Performance of detailed staking necessary for construction of the project in excess of the control staking set forth in Section A-15.
- 9. The ENGINEER further agrees to provide the operation and maintenance manual for facilities when required for NA.

Payment for the services specified in Sections D and F shall be as agreed in writing between the OWNER and approved by DEQ prior to commencement of the work. Barring unforeseen circumstances, such payment is estimated not to exceed \$ 5,000.

The ENGINEER will render to OWNER for such service an itemized bill, separate from any other billing, once each month, for compensation for services performed hereunder during such period, the same to be due and payable by OWNER to the ENGINEER on or before the 10th day of the following period.

SECTION E- INTEREST ON UNPAID SUMS

If OWNER fails to make any payments due ENGINEER within 60 days for services and expenses and funds are available for the project then the ENGINEER shall be entitled to interest at the rate of 12 percent per annum from said 60th day not to exceed an annual rate of 12 percent.

SECTION F- SPECIAL PROVISIONS, ADDITIONAL ENGINEERING SERVICES

1	Easement Acquisition	\$ 3,000.00
2.	Construction Staking	\$ 2,000.00

CDS Stewardship Utilities LLC
Happy Valley Rancher Water System-Connection 7883
Agreement for Engineering Services
Page 7

SECTION G- APPROVAL BY DEQ

This Agreement shall not become effective until approved by DEQ. Such approval shall be evidenced by the signature of a duly authorized representative of DEQ in the space provided at the end of this Agreement. The approval so evidenced by DEQ shall in no way commit DEQ to render financial assistance to the OWNER and is without liability for any payment hereunder, but in the event such assistance is provided, the approval shall signify that the provisions of this Agreement are consistent with the requirements of DEQ.

IN WITNESS WHEREOF, the parties hereto have executed, or caused to be executed by their duly authorized officials, this Agreement is duplicate on the respective dates indicated below:

(SEAL)

(OWNER)
By [Signature]

ATTEST _____

Type Name DEAN ANTON

Title MANAGING MEMBER

Date 2-26-03

Type Name _____

Title _____

(SEAL)

ATTEST Katherine A. Burgess

ENGINEER
By [Signature]

Type Name ERIC J. ELDEBURG

Title PARTNER

Date 2/26/03

Type Name KATHERINE A. BURGESS

Title OFFICE ADMINISTRATOR

APPROVED.

IDAHO DEPARTMENT OF ENVIRONMENTAL QUALITY

By _____

Type Name _____

Title _____

Date _____

Exhibit G

OVERVIEW OF DEBT FINANCING & CALCULATION OF SURCHARGE REQUIRED FOR DEBT SERVICE

Cost to Hook Up Happy Valley Ranchos Water System to Stoneridge:

\$ 202,300

Idaho Department of Environmental Quality Loan Program:

Interest Rate	2.00%
Term of Capital	20
Payments per Year	12
Monthly Payment on total DEQ Loan	\$1,023.40
Monthly Surcharge Payment Per HVR User (85)	\$12.04

Exhibit H

CONFIDENTIAL LIST OF WATER USERS IN CASE FILE

NOTICE OF APPLICATION

March 28, 2003

Dear Stoneridge Utilities LLC and Happy Valley Ranchos Water Inc. Water Users,

This notice is to inform you that on March 14, 2003 an "Application of Approval" was made to the Idaho Public Utilities Commission regarding the approval for CDS Stoneridge Utilities, LLC to acquire the service territory of Happy Valley Ranchos Inc., to complete an interconnection, to borrow funds, to amend Certificate of Convenience and Necessity Number 395, and implement a surcharge.

If this application is approved, there will be no increase of rates or change in the level of service provided to current Stoneridge Utilities LLC water users. In regards to the users on the Happy Valley Ranchos Water Inc., their rate will a monthly surcharge of \$12.04 in addition to a connection rate of \$14 per month, plus .30 per 1,000 gallons consumed. Your total monthly charge could cost \$26.34 if you use only 1,000 gallons per month or could cost \$32.04 if you use 20,000 gallons per month. Currently you are paying a flat rate of \$21 per month for zero to 20,000 gallons a month. Additionally, you will receive a higher level of quality water not available from your current water source.

A complete copy of this "Application for Approval" is on file at our office:

364 Stoneridge Road
Blanchard, ID 83804
(208)437-3148

and is available for public inspection during the business hours of 8AM to 6PM Monday through Friday.

Sincerely,

Dean Allara
Managing Member, CDS Stoneridge Utilities, LLC