

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE EAGLE WATER)
COMPANY'S REQUEST FOR A) **CASE NO. EAG-W-05-2**
TEMPORARY SURCHARGE)
) **NOTICE OF APPLICATION**
)
) **NOTICE OF PUBLIC**
) **WORKSHOP AND HEARING**
)
) **ORDER NO. 29870**

On August 3, 2005, the Commission issued an emergency Order directing Eagle Water Company to "use all deliberate speed" to increase low water pressure in the Eagle Springs subdivision. Order No. 29840. The Order also directed the Company to prepare an engineering report for its entire system and to file an application for a surcharge to recover the costs of: (1) the immediate system improvements to correct the low-pressure conditions; (2) preparing the system engineering report; and (3) the costs to be incurred in preparing the surcharge application.

On August 24, 2005, Eagle Water filed its Application for a temporary surcharge. The Company also proposed three additional measures that it could implement to address low-pressure concerns. On September 9, 2005, the Company supplemented its Surcharge Application with a request to immediately implement the temporary surcharge.

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that Eagle Water asserted in its Application that it has alleviated the low-pressure problems affecting Eagle Springs subdivision by replacing an 8-inch mainline with a 12-inch mainline. This mainline is connected to the booster pump serving the Eagle Springs subdivision. The Company estimated that the cost of replacing the 8-inch mainline with the larger 12-inch mainline was \$40,027. Application at 2. Eagle Water also estimated the cost of producing the engineering report and the legal/accounting costs to prepare the Surcharge Application. These costs are reflected below.

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ITEM	COST
Replace 8-inch line	\$ 40,027
Prepare Engineering Report	\$ 79,895
Legal & Accounting Expenses	<u>\$ 7,250</u>
TOTAL	\$127,172

Eagle Water stated that it will take between three to five months to complete the engineering report. Exh. 4, p. 5.

A. Additional Low Pressure Measures

YOU ARE FURTHER NOTIFIED that although the Company believes that it has adequately addressed the immediate low-pressure problems in Eagle Springs, it is concerned that there may be occasional drops in water pressure, “especially in light of the continued wasting of water that has been observed in Eagle Springs.” Surcharge Application at 2. The Company’s engineer has identified three additional measures which may “further alleviate water pressure problems in the Eagle Springs area.” These additional measures are:

Option 1 – Increase the power of the current booster pump from 60 horsepower (HP) to 75 or 100 HP. The estimated cost of this option is \$87,075.

Option 2 – Install an additional booster pump buried under Big Springs Street at the 2,700-foot elevation. The estimated cost of this option is \$81,607.50 or approximately \$1,600 per customer for the 51 customers at the highest elevation in Eagle Springs.

Option 3 – Drill a new well under an existing permit from IDWR to serve the entire system. The estimated cost of this option is \$390,305. The Company has an existing permit to drill this well but expires on March 1, 2006.

The Company estimated that Option 1 and Option 2 would take approximately six weeks to implement. Option 3 would take 60 to 180 days. *Id.* at 4-5. The Company’s preference is for the Commission to authorize Option 3 (the new well).

YOU ARE FURTHER NOTIFIED that the Company asserted that based upon DEQ criteria for estimating peak hourly demand, the peak demand for Eagle Water is approximately 2,000 gallons per minute (gpm). In addition to this normal peak demand, the Company maintained that fire-flow requirements for public safety are an additional 1,500 gpm. Using the DEQ standards, the Company estimated its system peak demand could exceed 3,500 gpm. *Id.* at

4. The Company reported that the maximum pumping rates of the four operational wells are: No. 1 – 600 gpm; No. 2 – 400 gpm; No. 4 – 2,000 gpm; and No. 6 – 2,000 gpm.¹ The total pumping rate for the four wells is 5,000 gpm – 1,500 gpm above the estimated peak demand. The Company stated that if either Well No. 4 or No. 6 should temporarily fail, there may “not be adequate quantity or pressure for the system” to meet DEQ standards. *Id.* at 4.

B. The Proposed Surcharges Alternative

YOU ARE FURTHER NOTIFIED that the Company estimated that a monthly billing surcharge of 16.85% over three years would recover the anticipated costs for: (1) correcting the immediate pressure problems; (2) preparing the engineering report; (3) recovering the legal/accounting costs; and (4) implementing either Option 1 or Option 2. This surcharge would recover \$214,147. Exh. 8.

YOU ARE FURTHER NOTIFIED that the Company’s preferred alternative would be to recover the immediate costs (the three elements above) and to implement Option 3 (the new well) for a total estimated cost of \$517,477. The Company’s accountant has calculated a monthly surcharge of 40.85% would recover this amount over three years. The Company estimates that this larger surcharge would be an additional \$9.16 per month for the average residential customer. Even with the proposed surcharge, the Company asserted that the average customer’s annual water bill would be lower than the annual water bills for customers of either the City of Eagle’s municipal water system or United Water. Customer Notice.

YOU ARE FURTHER NOTIFIED that the Company proposed that its Application be processed under Modified Procedure. In its supplemental Application of September 9, 2005, the Company filed copies of its Press Release and Customer Notice to comply with the Commission’s Customer Information Rule 102. IDAPA 31.21.02.102. In its supplement, the Company asked for an immediate effective date for its temporary surcharge.

¹ In addition to the four operating wells (Nos. 1, 2, 4, 6) the Company uses Well No. 3 as a back-up supply source (sand problems) and Well No. 5 has never been developed. The proposed Option 3 (new well) would be Well No. 7.

DISCUSSION

Although Eagle Water has requested an immediate effective date for its temporary surcharge, *Idaho Code* § 61-307 generally requires that a public utility provide the Commission and the public with 30 days' notice before implementing a rate increase. In this Application, Eagle Water has proposed three different alternatives to improve water pressure conditions and has proposed two different surcharges. Given the diversity of the proposals submitted for the Commission's consideration and the Commission's calendar, the Commission will not be able to complete its review of this Application within 30 days. Pursuant to *Idaho Code* § 61-623 the Commission suspends the proposed surcharges for a period of twenty-one (21) days beyond October 9, 2005.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal evidentiary 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 within twenty-one (21) days from the service date of this Notice. 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 the Applicant at the addresses reflected below:

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

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

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5983

Robert V. DeShazo, Jr.
President
Eagle Water Company, Inc.
PO Box 4555
Eagle, ID 83616

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. 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 the Applicant at the e-mail address listed above.

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 Application together with its supporting workpapers, supplements and exhibits, have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and its supporting documents are also available on the Commission's Website at www.puc.idaho.gov under the "File Room" icon and then "Water Cases."

NOTICE OF PUBLIC WORKSHOP AND HEARING

YOU ARE FURTHER NOTIFIED that a **public workshop** is scheduled to commence at **6:00 P.M. ON WEDNESDAY, OCTOBER 12, 2005 IN THE EAGLE SENIOR CITIZEN CENTER, 312 E. STATE STREET, EAGLE, IDAHO.** The purpose of

the public workshop will be for the Commission Staff to dispense information about this case. Eagle Water may also present information at the workshop.

YOU ARE FURTHER NOTIFIED that a **public hearing** in this matter is scheduled to follow the public workshop at **7:00 P.M. ON WEDNESDAY, OCTOBER 12, 2005 IN THE EAGLE SENIOR CITIZEN CENTER, 312 E. STATE STREET, EAGLE, IDAHO.** The purpose of this public hearing is to take testimony from members of the public regarding the Company's Surcharge Application.

YOU ARE FURTHER NOTIFIED that all hearings and prehearing conferences in this matter will be held in facilities meeting the accessibility requirements of the Americans with Disabilities Act (ADA). Persons needing the help of a sign language interpreter or other assistance in order to participate in or to understand testimony and argument at a public hearing may ask the Commission to provide a sign language interpreter or other assistance at the hearing. The request for assistance must be received at least five (5) working days before the hearing by contacting the Commission Secretary at:

IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0338 (Telephone)
(208) 334-3762 (FAX)
E-Mail: secretary@puc.idaho.gov

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and in particular *Idaho Code* §§ 61-307 and 61-623. 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 Eagle Water's Application is suspended pursuant to *Idaho Code* § 61-623 until October 28, 2005, unless the Commission issues its Order at an earlier date.

IT IS FURTHER ORDERED that this matter be processed under Modified Procedure with a public hearing as set out above.

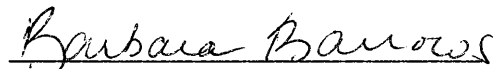
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *16th* day of September 2005.


PAUL KJELLANDER, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


DENNIS S. HANSEN, COMMISSIONER

ATTEST:


Barbara Barrows
Assistant Commission Secretary

bls/O:EAG-W-05-02_dh