

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF EAGLE WATER)
COMPANY'S REQUEST FOR A) CASE NO. EAG-W-05-02
TEMPORARY SURCHARGE)

) ORDER NO. 30213

On October 30, 2006, the Commission issued Order No. 30160 directing Eagle Water Company to “submit its final engineering report and an application to implement and recover system improvements identified in the engineering report no later than December 31, 2006.” Order No. 30160 at 3. The Order authorized Eagle Water to continue to collect the existing rate surcharge until December 31, 2006, subject to refund. *Id.* The Commission stated that if “the engineering report and the application for improvements are not filed by December 31, 2006, then we shall order Eagle Water to refund the surcharge revenue collected above \$112,414 to individual customers.” *Id.*

On December 20, 2006, Eagle Water filed a Petition seeking relief from the three requirements of Order No. 30160. In particular, the Company requested that the surcharge be continued, that the engineering report be due January 20, 2007, and that the application to implement the system improvements identified in the engineering report be due March 1, 2007.

BACKGROUND

In August 2005 the Commission issued an emergency Order directing Eagle Water to “use all deliberate speed” to increase low water pressure in a portion of its service territory. In addition to taking immediate action, the Company was directed to prepare an engineering report to address the chronic low-pressure problems in the existing water system and project water supply needs out to 2010. “The report shall include the recommended system improvements, construction schedule and estimated cost of each individual [improvement].” Order No. 29840 at 3. The engineering report was to “serve as a ‘road map’ for determining exactly what infrastructure improvements are necessary to serve the present and future needs of Eagle Water and its customers.” Order No. 29903 at 7. The Company was ordered to “complete its engineering study as soon as possible.” *Id.* at 9.

On February 6, 2006, the Commission issued Order No. 29969 authorizing Eagle Water to implement a temporary rate surcharge. The surcharge was intended to recover

\$112,414 for the costs of the engineering report and other associated expenses. Once the authorized amount was recovered, the surcharge would be discontinued. Order No. 29969 at 6.

On June 2, 2006, Eagle Water submitted its "preliminary engineering report" to the Commission and to the Idaho Department of Environmental Quality (DEQ). Both Staff and DEQ asked the Company to submit additional information as part of the Company's final engineering report. Order No. 30160.

THE PETITION

In its Petition, Eagle Water asserts that it has been "diligently pursuing" the completion of the final engineering report but will not be able to file the report and the implementing application by December 31. In addition to addressing the requirements set forth by this Commission, the Company indicates that it was also using the engineering report to meet the requirements of a Consent Order the Company entered into with DEQ. Petition at 1. The Company indicates there have been "numerous setbacks in the completion of the report, not the least of which was Mr. Rees's recent surgery to repair an . . . aneurysm." Attached to the Petition was an affidavit of the Company's Salt Lake City engineer, Chet Hovey. Mr. Hovey has been assisting the Company's local engineer, Jim Rees, in preparing the final engineering report.

Mr. Hovey's affidavit recites the history of preparing the final engineering report. He was engaged by Mr. Rees's firm (MTC) when the previous engineer working on the report departed MTC. Mr. Hovey alleged in his affidavit that the delay in finalizing the engineering report has been caused in large part by changing DEQ requirements. Affidavit at ¶¶10-21.

Mr. Hovey stated that there are 12 computer models of Eagle Water's distribution system. *Id.* at ¶ 21. Each time DEQ requests a change in the model parameters, it necessitates changing 900 inputs, adjusting pump curves and checking flow rates. *Id.* at ¶ 20.

In summary, Eagle Water requests that the Commission:

1. Extend the deadline for submitting the final engineering report to January 20, 2007.
2. Extend the surcharge "at least through the end of January 2007, when the exact cost of the engineering study will be known."
3. Extend the deadline for the filing of the application to implement the system improvements identified in the engineering report until March 1, 2007.

DISCUSSION

As we noted in our emergency Order, we required the preparation of an engineering report to address the immediate, near-term, and long-term pressure problems as well as the future development of Eagle Water's system. Order No. 29840 at 3. The engineering report was to

include a comprehensive analysis of the existing [water] system including projected water needs out to 2010. The analysis will consider all possible options including additional water supply, storage, booster pumps and additional main lines necessary to meet the existing and projected water requirements. The report shall include the recommended system improvements, construction schedule and estimated cost of each individual project. . . . Within twenty-one (21) days of this Order, Eagle Water shall advise the Commission of when this engineering study can be completed and submitted to the Commission.

Order No. 29840 at 3. In response to the quoted Order above, the Company indicated that it would take between three to five months to complete the engineering report. Order No. 29870 at 2 *citing* Exhibit 4, p. 5.

In Order No. 29903 issued October 27, 2005, we implemented a surcharge designed to recover the estimated cost of the engineering report – \$79,895. Although the Company sought permission to drill a new well with an estimated cost of nearly \$400,000, the Commission deferred any decision until submission of the engineering report. Order No. 29903 at 7.

In its current Petition, the Company cites a number of reasons why the engineering report has been delayed. These reasons include illness of the primary engineer, the need to hire an outside engineering consultant, the departure of the engineer working on the project, and changes in the planning criteria and modeling assumption requested by DEQ.

After reviewing the Petition and its supporting affidavit, we find good cause exists to grant an extension in the deadline for the engineering report to be filed until January 20, 2007. We expect the engineering report to be detailed and to meet the requirements of Order No. 29903.

Rather than extend the surcharge until “the end of January 2007,” we find it reasonable to extend the existing surcharge until we have completed our review of the soon to be filed engineering report. To safeguard customers, we find that Eagle Water has no authority to appropriate surcharge funds in excess of the currently approved \$112,414 and that the surcharge shall be subject to refund. It makes little sense to stop the surcharge when we do not know the

cost of the study it is intended to fund. Staff shall continue to audit this account for compliance with our Orders.

We also grant the Company's request to postpone the deadline for filing an application to detail its proposal to implement system improvements. This application shall be filed no later than March 1, 2007. The purpose of this application is two-fold. First, the application is to identify the infrastructure improvements necessary to serve the present and future needs of Eagle Water and its customers. Second, the application will include Eagle Water's proposal for a new rate design to recover the costs of the identified infrastructure improvements and make other rate changes as necessary.

ORDER

IT IS HEREBY ORDERED that Eagle Water Company's Petition is granted as modified above. Eagle Water shall file its final engineering report no later than January 20, 2007.

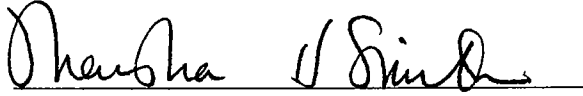
IT IS FURTHER ORDERED that Eagle Water submit an application no later than March 1, 2007 that details its proposal to implement the system improvements identified in the engineering report.

IT IS FURTHER ORDERED that the Company is authorized to continue to collect the existing surcharge, subject to refund. Use of the surcharge fund is restricted to those items specifically identified in Order Nos. 29903 and 29969, and shall not exceed \$112,414 without the explicit approval of this Commission.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 28th
day of December 2006.



PAUL KJELLANDER, PRESIDENT

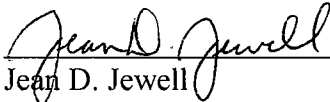


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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