

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)	ORDER NO. 30936
)	

On January 22, 2009, Eagle Water Company filed an Application to implement an immediate surcharge on customers' water usage in excess of 600 cubic feet per month. In addition to the surcharge, 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 about \$1.5 million. Application at 3-5. In its Application, the Company offered that the surcharge will be subject to refund if the requested improvements and expenses are not ultimately approved by the Commission. *Id.* at 7. The Company requested that the Application be processed via Modified Procedure.

On February 23, 2009, the Commission granted the Company's request to implement the requested surcharge, subject to refund. The Commission also set a deadline for intervention; however, there were no petitions to intervene. Given the lack of intervenors, the Company and Staff recommended that the case be processed under Modified Procedure. The Commission agreed and directed that Staff and other interested parties file comments on August 27, 2009. Order No. 30878 at 4. The Company filed a timely response to the Staff's comments on September 18, 2009. After reviewing the record in this case, the Commission issues this Order granting in part and denying in part the Company's Application.

THE APPLICATION

Eagle Water serves approximately 3,400 customers in and around the City of Eagle. Its water supply is currently provided from six wells (Well Nos. 1, 2, 3, 4, 6 and 7). A seventh well (Well No. 8) has recently been drilled but is not yet operational. Staff Comments at 4. Many if not most of the capital improvements for which the Company requests recovery were required to be implemented by the Idaho Department of Environmental Quality (DEQ).

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 Eagle¹, \$600 in accounting fees, and approximately \$37,500 in legal fees. The 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 Applic. 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 (\$731,720 + \$811,620) and the total for expenses is \$98,108. See Order No. 30878 at 2.

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 usage above 600 cubic feet per month.²

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

² In Order No. 30734, the Commission authorized the Company to take out the bank loan. However, Staff noted in its comments that the loan had not been executed. Comments at 18.

In addition to the surcharge, the Company also requested permission to access the available 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 will 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.*

PUBLIC COMMENTS

The Commission Staff convened a public workshop concerning the Application on August 26, 2009. No customers attended this workshop. In addition to the workshop, the Commission received three written comments regarding the proposed surcharge. All three customers opposed the surcharge. However, one customer thought it was an increase to base rates and another customer thought the proposed surcharge was in addition to the previous surcharge.³ The three comments were filed shortly after the Company filed its Application and before the workshop.

UNDISPUTED ISSUES

A. Connection to the City’s Water System

In July 2008, Eagle Water interconnected its system with the City of Eagle’s water system. This interconnection was a recommendation of the Company’s Final Engineering Report and endorsed by DEQ. Interconnection satisfied system pressure and flow requirements in the event that Eagle Water lost its largest (and most critical) supply source. In its Intertie

³ In Order No. 30667 issued November 5, 2008, the Commission ordered the Company to terminate its previous rate surcharge. See also Order No. 30734 at 1.

Agreement with the City, Eagle Water was obligated to pay \$10,000 per month commencing on the date the interconnection was completed and approved by DEQ.

In its comments, Staff noted that the interconnection was a short-term solution to the source of supply problem. Staff suggested that the long-term solution is the development of another well that would satisfy Eagle Water's system pressure and flow requirements. Staff Comments at 10. In response, the Company is developing a new well (Well No. 8 discussed below) that will eliminate the interconnection requirement with the City of Eagle. *Id.*

Staff recommended that the Company be allowed to recover its capital costs for the interconnection of \$22,805 and the monthly charge to the City of Eagle. As indicated in Attachment 4 to Staff comments, Staff recommended that the Company recover \$110,000 (11 months) for its tie-in expenses with the City of Eagle.

In its reply comments, Eagle Water did not address or object to Staff's recommendation to recover \$22,805 in capital costs and \$110,000 in tie-in expenses.

Commission Finding: The Commission adopts Staff's recommendation and finds the Company's reasonable capital costs are \$22,805. The Commission further finds that the reasonable tie-in expenses are \$110,000 for the 11 months that Eagle Water was connected with the City's system.

B. Pressure Reducing/Sustaining Valve

The Final Engineering Report identified that Eagle Water should install an automatic pressure reducing/sustaining valve (PRSV) as required by DEQ. Staff Comments at 10. In compliance with the Engineering Report, the Company installed the PRSV to provide a more consistent hydraulic grade line in the upper pressure zone of Eagle Water's system. Construction of the PRSV was completed in the summer of 2008.

Staff determined that the Company's proposed cost in installing the PRSV was reasonable and recommended that the Company recover \$43,765 through the surcharge. The Company did not object to Staff's recommendation.

Commission Finding: The Commission finds it reasonable for the Company to recover \$43,765 from the surcharge account for installing the PRSV.

C. Main Booster Pump Modification

The Engineering Report also recommended that the Company modify its Well No. 2 booster station to provide pumping redundancy. Engineering Report at 12. The Company

installed a 100-hp pump in parallel with the existing 60-hp pump. The new pump is currently in operation. The new pump cost \$99,400. Application at 4.

In addition to the new pump, the Company also planned to install a flow recorder. Staff agreed that a flow recorder was appropriate. The parties agreed that a flow recorder should cost approximately \$8,000. Consequently, Staff recommended the total project cost for pump installation, flow meter installation, and engineering is \$107,400. Comments at 12. The Company did not object to Staff's recommendation.

Commission Finding: The Commission finds that it is appropriate for the Company to recover \$107,400 from the surcharge for improvements to the main booster pump for Well No. 2.

D. Accounting Fees

The Company has requested and Staff agreed that the Company should recover a total of \$1,200 in accounting fees for this case and its accounting expenses in Case No. EAG-W-07-01. The parties asserted the accounting fees were reasonable and recommended that \$1,200 be recovered from the surcharge fund.

Commission Finding: Given our review of the Application and the agreement of the parties, the Commission finds it appropriate for Eagle Water to recover \$1,200 in accounting fees.

E. Legal Fees

1. Fees for the Engineering Report and Prior Surcharge. As part of its Application, the Company sought to recover its legal fees for preparation of the Final Engineering Report and the surcharge extension application in the prior case. These fees totaled \$31,477.

Staff recommended that the Company be allowed to recover its actual legal fees for Case Nos. EAG-W-05-02 and EAG-W-07-01 in the amount of \$30,306. The difference between Staff's recommendation and the Company's request is attributable to Staff's removal of late charges in the amount of \$1,171. In its comments, Staff noted that it is "a long-standing policy of the Commission that expenses such as late payment fees and penalty fees not be recovered from customers. See, e.g., Order No. 30667 at 3." Staff Comments at 15. Staff insisted that the Company has control of when and how its expenses are paid and that it appears that there were sufficient funds in the surcharge account to defray these legal expenses. *Id.* at 16.

In its reply, Eagle Water did not address Staff's recommendation to remove the late payment charge from the legal fees for the two prior cases.

Commission Finding: With the exception of late payment fees, the Commission agrees with the parties that the legal fees for the two prior cases should be recovered from the surcharge account. After removing \$1,171 in late/penalty fees, we find that the Company should recover its legal fees for the two prior cases in the amount of \$30,306. Ratepayers should not be required to pay late fees or interest on past due balances when it is the utility that controls how and when its expenses are paid.

2. Legal Fees for this Case. The Company also requested that it be authorized to recover its legal fees to process this case in the amount of approximately \$15,000. As of August 25, 2009, Staff noted that the legal billings for this case totaled \$12,062. Staff Comments at 16. Staff also recognized that this amount does not include any legal fees for the preparation of the Company's reply or supplementing discovery. Consequently, Staff believed that the Company's request to recover its actual legal fees for this case not to exceed \$15,000 is reasonable. However, legal fees incurred above this amount should not be recovered from the surcharge and should be deferred for subsequent review and recovery. *Id.* at 16.

Commission Finding: Based upon our review, we find it reasonable for the Company to recover its actual legal fees for this case not to exceed \$15,000. The Company shall report its actual legal fees for this case within 14 days of the service date of this Order.

DISPUTED ISSUES

A. Generator Cost for Well No. 7

1. Eagle Water. Eagle Water was required to bring on Well No. 7 as additional water supply to meet DEQ service requirements as set out in the Engineering Report. Because Well No. 7 is a new water source, DEQ requires that it be equipped with a standby power supply. Consequently, the Company installed a 365-kW diesel-powered generating unit. Well No. 7 was brought online serving customers on August 8, 2006. The Company initially requested to recover a total cost of \$605,988 for construction of Well No. 7.

2. Staff Comments. Following discussions with the Company, the parties agreed that the cost of Well No. 7 totaled \$576,653. Staff Comments, Atch. 1. With one exception noted below, Staff found that the costs incurred by the Company to complete and install Well No. 7 were reasonable compared to other jobs of similar size and scope. *Id.* at 7. Even though an

affiliate company was used to provide the equipment and labor to complete Well No. 7, Staff found that Eagle Water spent considerably less money than it would have spent had it hired an independent third-party contractor to complete project construction. *Id.*

Staff did take one exception to the cost of the standby power generator. Staff complained that the Company “oversized” the backup generator for Well No. 7. Although Staff does not disagree with the Company’s decision to purchase a used generator, it disagreed with the size of the purchased generating unit. Consequently, Staff proposed an adjustment of \$10,356 ($\$28,000/365 \text{ kW} \times 135 \text{ kW}$) to the total cost of Well No. 7. *Id.* Staff recommended that \$351,297 be added to rate base and \$215,000 be recovered by the surcharge. Staff Comments at 8.

3. Eagle Water Response. Eagle Water objected to Staff’s cost adjustment for the backup generating unit. While it is true that a smaller pump could have been used, the Company asserted that Staff “ignores the real world fact that a new standby generator would have cost the Company a minimum of \$45,000 up to a maximum of \$75,000, while the current unit costs a mere \$28,000.” Eagle Water Reply Comments at 1. In its reply, Eagle Water provided quotes from an electric supplier that showed the costs for a new generator as between \$45,000 and \$75,000. Exhibit J. Consequently, the Company maintained that its purchase of the used unit represented a cost savings to its customers of between \$17,000 and \$47,000.

Eagle Water’s outside engineer also disputed Staff’s adjustment for Well No. 7. In particular, MTC indicated that Staff’s adjustment does not reflect the considerably larger cost in purchasing a new – but smaller – standby generator. Exhibit K. It is difficult “to believe that less is more when the generator is for standby purposes and will probably only be started for test purposes [not] more than one time per week.” *Id.*

The Company also noted that the unit is only a “standby power source,” not the primary power source for Well No. 7. *Id.* at 2. In addition, Eagle Water argued that Staff did not provide any factual documentation to support its adjustment of \$10,356 from the bargain price of \$28,000. *Id.*

Commission Finding: The Commission finds that the Staff-proposed adjustment of \$10,356 to the total cost of Well No. 7 is not appropriate. We find that Eagle Water has adequately addressed Staff’s proposed adjustment. We find that the Company acted reasonably when it purchased a used generator for Well No. 7. Although the standby generator may be

larger than needed, customers are well served by the lower-cost, used generator. Consequently, we find the reasonable total cost for Well No. 7 is \$576,653. We approve an increase in the Company's rate base of \$361,653 for Well No. 7 and allow the Company to also recover \$215,000 from the surcharge.

B. Rebuilding Well No. 4

1. Eagle Water. Well No. 4 is currently the largest well in Eagle Water's system and its "rebuilding" was completed in the summer of 2008. The original purpose for rebuilding Well No. 4 was to improve the capacity of the system to comply with the Company's Final Engineering Report and DEQ requirements. Staff Comments at 8. The improvements to Well No. 4 included the installation of a larger 300-hp pump motor.

2. Staff Comments. Staff believed that the 300-hp motor was larger than necessary. Staff indicated that the preferred solution to the drop in pump capacity in 2006 would have been to "retain the existing motor and replace the inefficient pump with a new pump operating at the original pumping characteristics (i.e., 2,800 to 3,000 gpm)." *Id.* at 8. Instead, the Company decided to add an additional bowl and replace the original motor (250-hp) with the 300-hp motor. Staff believed that this action resulted in a less efficient pumping system with higher operational costs in the future. *Id.* at 9. Consequently, Staff recommended that the Commission adjust the cost for the pump motor by \$4,078 ($\$24,470/300\text{-hp} \times 50\text{-hp}$). Consequently, Staff recommended the Company be allowed to recover \$56,660 for the rehabilitation of Well No. 4.

3. Eagle Water Response. Eagle Water disagreed with Staff's proposed adjustment to the cost of the 300-hp motor. In response, the Company submitted a letter from its outside engineer, MTC Engineering. MTC stated that its calculations show that this well required a motor with 324.75 horsepower because an "electric motor can be 10% over-rated power for a short period of time[. . . 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 pump size] for Well No. 4. In addition, MTC also disputed whether a detailed report, as Staff recommended, would have yielded a different answer. The engineering company noted that the detailed report would have been prepared at considerably more cost to demonstrate "the minor losses etc." Exhibit K.

Commission Finding: The Commission is not convinced that Staff's proposed adjustment of \$4,078 should be adopted. As noted above, there is not a single method to address

the lack of capacity of Well No. 4. Based upon the facts presented here, we reject Staff's proposed offset. Consequently, we allow the Company to recover \$60,738 from the surcharge for rebuilding Well No. 4.

C. Development of Well No. 8

1. Staff Comments. Staff noted in its comments, that the Final Engineering Report recommended the development of a new well that would allow Eagle Water to discontinue its interconnection with the City of Eagle. The Company anticipates that the development of Well No. 8 will eliminate the need for the interconnection and satisfy system demand for future growth through 2010. Staff Comments at 13.

Well No. 8 has been constructed and tested; however, the well is temporarily capped because the pump house has not been constructed. More specifically, Staff commented that the City of Eagle has issued a stop work order. The Company estimates that its cost to complete Well No. 8 will be \$637,535. Of this amount, the land costs are \$63,150 and the well drilling costs are \$148,350. Staff Comments at 13.

Because Well No. 8 is partially complete but is not yet used and useful in serving customers, Staff recommended that recovery of the well costs from the surcharge be denied at this time. However, Staff recommended the costs for the land (\$63,150) and well drilling costs (\$148,350) be classified as "plant held for future use." This would allow the Company to earn a carrying charge on these costs until the well is placed into service. Staff Comments at 13-14. These two components total \$211,500.

2. Eagle Water Reply. Rather than classify the land and well drilling costs (\$211,500) as "plant held for future use," Eagle Water requested in its reply that it be allowed to recover this amount from the surcharge funds now. The Company maintained that it is experiencing a significant cash flow shortage and has difficulty in borrowing the necessary funds to pay off the capital improvements. Eagle Water Reply Comments at 2-3. Consequently, the Company requested permission to "borrow" the well drilling and land costs (i.e., recover these amounts from the surcharge "in order to free up enough capital reserve to self-finance the completion of Well # 8 before" the Company seeks recovery of these costs. *Id.* at 3. "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."

The Company also reported in its reply comments that the City finally issued a building permit for the well house for Well No. 8 during the week of September 18, 2009. Consequently, the Company is ready to proceed with completion of Well No. 8, funds permitting. *Id.*

Commission Finding: Staff recommended that the well drilling (\$148,350) and the land cost (\$63,150) be classified as plant held for future use because Well No. 8 is not yet in operation. For its part, the Company requested that it be allowed to recover these costs from the surcharge. However, the Company does not provide any compelling legal basis for allowing recovery of property not “used and useful” other than simply referring to its cash flow difficulty.

We find that Well No. 8 is not currently used and useful and therefore the costs are not recoverable from customers at this time. We further find that the costs of the land and well drilling are appropriately classified as “plant held for future use.” When Well No. 8 is placed into service, the Company may then seek to recover these costs. While we appreciate the Company’s “cash flow” position, we have previously approved the Company’s request to take out the bank loan in Order No. 30734. The loan was intended to provide the Company with access to revenue.

D. Legal Fees for the 05-02 Case

1. Eagle Water. In the Company’s current Application it requested additional legal fees in the amount of \$6,047 that it incurred in Case No. EAG-W-05-02. As explained in a footnote, the Company conceded that it had not requested these fees in the prior case because it “made a clerical error in calculating the amount of fees billed as of August 6, 2007 for EAG-W-05-02.” Staff Comments at 14 *citing* Application at 5. In its present Application, the Company insisted that its “Exhibit A” in the August 2007 application shows the correct amount billed for legal services associated with the 2005 Surcharge Case was \$16,933 – which included the \$6,048 amount requested now. Application at 5, n.2.

2. Staff Comments. Staff recommended that the Commission disallow the new request for legal fees “because the time for requesting these legal fees was in October 2008 via a Petition for Reconsideration.” Staff Comments at 14. Staff set out the sequence of events in the prior 05-02 case.

In its 2007 application, Eagle Water sought to recover fees for the original surcharge application (Case No. EAG-W-05-02) in the amount of \$10,945; and the legal fees for the

preparation of the Company's Engineering Report in the amount of \$16,232. Staff concurred and recommended that the Company be allowed to recover legal fees for these two proceedings in the amount of \$27,177. Based upon the comments of the parties, the Commission found the legal fees to be reasonable. Order No. 30654 at 4, 9. Eagle Water then filed a timely Petition for Reconsideration on October 16, 2008. Conspicuously absent from that Petition for Reconsideration was any request for the \$6,048 in "missing" legal fees.

Staff asserted that allowing the Company to recover its past legal fees would constitute retroactive ratemaking. Staff noted that the Commission has stated many times that the purpose for reconsideration is to provide timely opportunity for a party to bring to the Commission's attention any issue previously determined so that the Commission can rectify any mistake or admission. Staff Comments at 15 *citing* Order No. 30667 at 4. Eagle Water did not avail itself of this timely review. Consequently, Staff recommended that the Commission disallow recovery of \$6,048 from Eagle Water's customers. *Id.*

Staff also argued that "Exhibit A" does not reveal the "\$16,933" amount on either page of the two-page exhibit. *Id.* Entries on these pages also show the Company was assessed late fees that should not be recovered from ratepayers. *Id.*

3. Eagle Water Reply. The Company did not discuss this issue in its reply comments.

Commission Finding: We decline the Company's request to recover these legal fees for several reasons. First, we find that Eagle Water's request is untimely – the time to have raised and addressed this issue was in October 2008. We also agree that this request constitutes retroactive ratemaking. Finally, we are not persuaded that Eagle Water's reference to "Exhibit A" preserves this issue. Our examination of Exhibit A does not reveal any specific reference to "\$16,933." Consequently, we do not allow the Company to recover the \$6,047 in legal fees from ratepayers.

OTHER ISSUES

1. The Surcharge Amount. Staff recommended that the surcharge percentage remain at 48.075%. Staff recognized that if the Commission does not accept all the Staff-proposed adjustments, then the estimated length of the surcharge would extend beyond the four years calculated by Staff.

Commission Finding: Based upon our findings set out above, we find no reason to adjust the surcharge amount. For the present, we find that it is appropriate for the surcharge to remain at 48.075%.

2. Revenue Recovery. Eagle Water requested authority to recover capital costs and expenses totaling approximately \$1.54 million. *Supra* at p. 2. Staff recommended that the Company recover capital costs in the amount of \$796,928, and expenses of \$156,506, totaling \$953,434. Staff Atch. 4.

Commission Finding: Based upon our findings above, we conclude that \$811,363 in capital costs have been prudently incurred by the Company. Of this amount, the Company proposed and the Staff agreed that \$215,000 in costs for Well No. 7 be recovered from surcharge funds and the balance (\$361,653) of capital costs be attributed to the Company's rate base. Adding the \$449,710 in capital costs and the approved expenses of \$156,506, results in surcharge recovery of \$606,216. See the Appendix to this Order.

Subtracting the available surcharge (as of August 24, 2009) leaves a balance of \$469,177. When this amount is grossed-up (using a factor of 127.88%), the new surcharge amount for recovery is \$599,983. *Id.* Based upon projected surcharge revenue, it will take between four and five years to recover this amount.

We also note that Eagle Water has now received a City permit to build its well house for Well No. 8. Consequently, we anticipate that the Company will, in short order, file another case seeking to recover the costs for completing Well No. 8. Rather than continuing to rely upon surcharges, we believe the Company's next case should include redesigned base rates. As the Company noted in its Application, its base rates are well below those of the City of Eagle and United Water. While the surcharge has the effect in summer of promoting water conservation (because of the higher rates), we believe the Company's next case may and should provide an opportunity to move away from reliance upon surcharge revenues.

ORDER

IT IS HEREBY ORDERED that Eagle Water's Application to recover additional surcharge revenues is granted in part and denied in part as set out in greater detail above. Based upon the findings in this Order, the Company is authorized to recover \$599,983 in additional surcharge revenue.

IT IS FURTHER ORDERED that the existing surcharge of 48.075% on water usage in excess of 600 cubic feet per month shall remain the same.

IT IS FURTHER ORDERED that the Company report the costs of its legal fees for this case within 14 days of the service date of this Order.


IT IS FURTHER ORDERED that when the Company files its next application seeking additional revenues, that Eagle Water submit redesigned base rates, or advise the Commission why new base rates are inappropriate.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. EAG-W-09-01 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this case. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30th day of October 2009.


JIM D. KEMPTON, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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**EAGLE WATER COMPANY
CASE NO. EAG-W-09-01
SURCHARGE REVENUE REQUIREMENT CALCULATION**

<u>Capital Items</u>	<u>Surcharge Recovery Amount</u>
Well No. 7	\$576,652.81
Well No. 7 Costs Transferred to Rate Base	\$361,652.81
Well No. 7 Costs Recovered from Surcharge	\$215,000.00
Rebuilding Well No. 4	\$60,738.41
Tie-in to Eagle City Water System	\$22,805.73
Pressure Regulating/Sustaining Valve (PRSV)	\$43,765.31
Main Booster Pump Modification	\$107,400.50
Well No. 8	<u>\$0.00</u>
Total-Capital Project Costs	\$449,709.95
<u>Expense Items</u>	<u>Amount</u>
Legal Fees	\$45,305.83
Accounting Fees	\$1,200.00
Tie-in to Eagle City Water System	<u>\$110,000.00</u>
Total-Expenses	\$156,505.83
Commission Decision	\$606,215.78
Less Previous Surcharge Balance	\$137,039
Commission Surcharge Decision	\$469,176.78
Gross-up Factor	127.88%
New Surcharge (48.075%)	\$599,983
Estimated yearly recovery*	\$150,000
Approximate number of Years	4+

* Estimated yearly recovery calculation

Surcharge Revenues 2006	\$130,805.50
Surcharge Revenues 2007	\$138,758.01
Surcharge average for 2 full years at 42.5%	\$134,781.76
Estimate for yearly surcharge at 48.075%	\$152,461.95
(2 year average divided by 42.5%, then multiplied by 48.075%)	