

# Molly O'Leary



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IDAHO PUBLIC  
UTILITIES COMMISSION

1775 W. State Street, #150

Boise, Idaho 83702

Voice/Text: 208.453.6106

E-Mail: [Molly@BizCounselorAtLaw.com](mailto:Molly@BizCounselorAtLaw.com)

10 November 2015

Ms. Jean Jewell  
Commission Secretary  
Idaho Public Utilities Commission  
P O Box 83720  
Boise ID 83720-0074

*Hand Delivered*

RE: Case No. EAG-W-15-21

Dear Ms. Jewell:

I am enclosing an original and seven (7) copies of EAGLE WATER COMPANY, INC.'S APPLICATION FOR TEMPORARY SURCHARGE.

An additional copy is enclosed to be date stamped and returned for our files.

Very truly yours,

A handwritten signature in blue ink that reads 'molly leary' in a cursive, lowercase style.

Molly O'Leary  
BizCounselor@Law, PLLC

Molly O'Leary (ISB # 4996)  
BizCounselor@Law, PLLC  
1775 W. State Street #150  
Boise, Idaho 83702  
Telephone: 208.453.6106  
[Molly@BizCounselorAtLaw.com](mailto:Molly@BizCounselorAtLaw.com)

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Attorneys for Eagle Water Company, Inc.

BEFORE THE  
IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF EAGLE WATER COMPANY, INC.'S APPLICATION FOR AUTHORIZATION OF A TEMPORARY CUSTOMER SURCHARGE }  
CASE NO. EAG-W-15-01 }  
APPLICATION OF EAGLE WATER COMPANY, INC. FOR TEMPORARY CUSTOMER SURCHARGE }

COMES NOW, Eagle Water Company, Inc. ["Eagle Water" or "the Company"], by and through undersigned counsel, and petitions the Commission for an Order authorizing Eagle Water to collect a temporary surcharge on customer usage in excess of 600 cubic feet per billing cycle to help defray the cost of several capital investments in Eagle Water's infrastructure.

Because the issues presented by this request are limited in scope, Eagle Water requests that this Application be processed without the need for a hearing, under Commission Rule of Procedure 202, Modified Procedure.

**APPLICATION**

1. Eagle Water commissioned an Engineering Report ("Report") to evaluate its water system and to recommend actions to manage growth and keep the Company in

compliance with Idaho Department of Environmental Quality (DEQ) regulations. That report was delivered to the Commission for its review on or about August 6, 2007.

2. Eagle Water was subsequently authorized by the Commission in Order No. 30936 to recover the cost of several of the recommended System Improvements through imposition of a temporary surcharge on customer usage in excess of 600 cubic feet per billing cycle. Nevertheless, the Company was not allowed to recover the cost of Well No. 8 at that time because the improvements were not yet completed and, therefore, not deemed by the Commission to qualify as being "used and useful."

3. Specifically, Eagle Water was not allowed to recover its costs for the following System Improvements in Case No. EAG-W-09-01. Those costs are detailed, below:

	Description	Cost
<b>Main Booster Station</b>	Labor	\$5,795.00
	Equipment	\$585.00
	Materials	\$117,294.00
	Engineering	\$5,700.00
	<b>Sub-Total</b>	<b>\$129,374.00</b>
	Profit & Overhead (15%)	\$19,406.00
	<b>TOTAL</b>	<b>\$148,780.00</b>
<b>Well # 8</b>	Labor	\$83,565.00
	Equipment	\$20,051.00
	Materials	\$332,553.00
	Engineering	\$26,900.00
	<b>Sub-total</b>	<b>\$463,069.00</b>

	<b>Description</b>	<b>Cost</b>
<b>Well # 8, cnt'd</b>	Profit & Overhead [15%]	\$69,461.00
	Lot Cost	\$65,950.00
	<b>TOTAL</b>	<b>\$598,480.00</b>

4. Since the filing of its 2009 Surcharge Application, Eagle Water has incurred the following additional System Improvement expenses:

	<b>Description</b>	<b>Cost</b>
<b>Well #4 Repairs</b>	Labor	\$700.00
	Equipment	\$0
	Materials	\$53,426.00
	<b>Sub-total</b>	<b>\$54,126.00</b>
	Profit & Overhead (15%)	\$8,119.00
	<b>TOTAL</b>	<b>\$62,245.00</b>
<b>Well #6 Repair</b>	Labor	\$620.00
	Equipment	\$0
	Materials	\$21,629.00
	<b>Sub-total</b>	<b>\$22,249.00</b>
	Profit & Overhead (15%)	\$3,337.00
	<b>TOTAL</b>	<b>\$ 25,586.00</b>
<b>State Street Bridge – Line Relocation</b>	Labor	\$3,295.00
	Equipment	\$5,305.00
	Materials	\$3,080.00

State Street Bridge – Line Relocation, cnt'd	Description	Cost
	<b>Sub-total</b>	\$11,680.00
	Profit & Overhead (15%)	\$1,752.00
	<b>TOTAL</b>	<b>\$13,432.00</b>
<b>Horseshoe Bend Road Bridge – Line Relocation</b>	Labor	\$2,050.00
	Equipment	\$1,445.00
	Materials	\$2,148.00
	<b>Sub-total</b>	\$5,643.00
	Profit & Overhead (15%)	\$846.00
	<b>TOTAL</b>	<b>\$6,489.00</b>
<b>Well #7– Upsize line from 8-inch to 12- inch</b>	Labor	\$5,130.00
	Equipment	\$8,465.00
	Materials	\$24,325.00
	<b>Sub-total</b>	\$37,920.00
	Profit & Overhead (15%)	\$5,688.00
	<b>TOTAL</b>	<b>\$43,608.00</b>
<b>Line Relocation – Hill Road</b>	Labor	\$4,525.00
	Equipment	\$2,505.00
	Materials	\$15,487.00
	<b>Sub-total</b>	\$22,517.00
	Profit & Overhead (15%)	\$3,378.00

Line Relocation – Hill Road cnt'd	Description	Cost
	TOTAL	\$25,895.00

5. Because Eagle Water is a small company, the cost of preparing and processing an interim surcharge request will represent a significant extraordinary expense. Eagle Water estimates that the legal and accounting expenses associated with implementing the proposed improvements and applying to the Commission for approval to recover the investments through an interim surcharge will be approximately \$600.00 for accounting services and \$10,000.00 for legal services. See attached **EWCO Exhibits A and B**, respectively. For a total estimated cost in Professional Fees of \$10,600.00.

6. The Company reports a current balance of \$148,872.90 in the Surcharge Account from the surcharge that was authorized by the Commission in Order No. 30936. Eagle Water respectfully requests that it be allowed to use those funds to offset its costs as detailed in Sections 3 through 5, above.

7. In addition to using the remaining funds in the existing Surcharge Account, the Company proposes to borrow the balance needed to re-cover the cost of these expenses in order to replenish its working capital going forward. Based on the foregoing figures, the amount Eagle Water proposes to borrow is \$786,242.00. Under the terms of a financing proposal from D. L. Evans Bank, the cost of the loan would be based on the Wall Street Journal Prime Rate plus + 2.00%, with a floor of 5.50% See **EWCO Exhibit C** attached.

8. Based on the foregoing, and because the expenses incurred to-date and the proposed expenditures would be in the public interest, the Company is requesting an Order from the Commission declaring that the incurrence of these expenses is a prudent capital

investment, the costs of which are proper expenses to be duly recovered from ratepayers with a surcharge.

9. The Company requests the Commission further issue its order approving the proposed surcharge shown on the attached **EWCO Exhibit D** as a fair, just and reasonable method for recovery of its costs associated with the capital investments referenced above. Draft revised tariffs, reflecting these proposed surcharge, are attached as **EWCO Exhibit E**.

10. The Company will maintain a separate balancing account on its books with all transactions related to this Application flowing through the account on a monthly basis as transactions occur. None of the expenditures proposed in this Application will be recorded to the Company's plant accounts and the Company will not seek to add these costs to its rate base for rate-making purposes.

11. Communications with reference to this request should be sent to the following:

Molly O'Leary  
BizCounselor@Law, PLLC  
1775 W. State Street #150  
Boise, ID 83702

Robert V. DeShazo, Jr., President  
Eagle Water Company, Inc.  
P.O. Box 455  
Eagle, ID 83616

12. Pursuant to Section 61-307, Idaho Code, Eagle Water requests that any approved surcharge take immediate effect upon the Commission's order.

13. In accordance with Utility Customer Information Rule 102.03, Eagle Water will mail a Notice to Customers regarding this Application to its customers upon the issuance of a Notice of Modified Procedure by the Commission setting the deadline for Comments in this matter. *See* **Eagle Water Exhibit F**, attached. In addition, in accordance with UCIR 102.04, Eagle Water herewith submits a copy of the Press Release that will be issued by Eagle

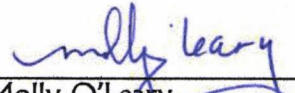
Water to print and broadcast media in its service territory, upon the issuance of a Notice of Modified Procedure by the Commission setting the deadline for Comments in this matter.

*See Eagle Water Exhibit G.*

DATED this 10th day of November, 2015.

BizCounselor@Law, PLLC

By

  
\_\_\_\_\_  
Molly O'Leary  
Attorneys for Petitioner  
Eagle Water Company, Inc.



# EXHIBIT A

## Accounting Services

### Estimate of Fees

(See attached)



www.treasurevalleycpa.com  
 9446 W. Fairview Ave.  
 Boise, ID 83704

# Invoice

Date	Invoice #
9/1/2015	8435

Bill To
Eagle Water, Inc, PO Box 455 Eagle, ID 83616-0455

P.O. No.	Terms	Project

Quantity	Description	Rate	Amount
	Water Surcharge Application Work	600.00	600.00
	Thanks		600.00
		<b>Total</b>	<b>\$600.00</b>

# EXHIBIT B

## Legal Services Estimate of Fees

[See attached]

# Molly O'Leary



1775 W. State Street, #150  
Boise, Idaho 83702

Voice/Text: 208.453.6106

E-Mail: [Molly@BizCounselorAtLaw.com](mailto:Molly@BizCounselorAtLaw.com)

29 October 2015

Robert V. DeShazo, Jr. – President  
Eagle Water Company, Inc.  
172 W. State Street  
Eagle, Idaho 83616

VIA Electronic Mail:  
[eaglewaterco@gmail.com](mailto:eaglewaterco@gmail.com)

RE: 1076/21 – Well # 8 Expense Recovery\_Surcharge Application

Dear Robert:

I have estimated my legal fees for the handling of Eagle Water Company's current Surcharge Application as follows:

- 45 HOURS @ \$225.00 per hour = \$10,125.00

Very truly yours,

A handwritten signature in blue ink that reads 'Molly O'Leary'.

Molly O'Leary  
BizCounselor@Law, PLLC

# EXHIBIT C

D.L. Evans Bank

Loan Commitment Letter

[See attached]



October 22, 2015

Eagle Water Company  
Attn: Robert DeShazo, Jr.  
PO Box 455  
Eagle, ID 83714

Dear Robert,

Pursuant to our recent conversation, here is an estimate of anticipated loan costs associated with your request.

- Loan Amount: \$786,242.00
- Maturity: 5 Years given similar collections
- Variable Interest Rate: WSJ Prime + 2.00%, floor of 5.50%  
(today's rate = 5.50%) fully floating
- Interest Only Payment  
(full advance): \$3,603.61/interest only monthly given no change in  
rate
- Principle Reduction required quarterly – all available funds drawn from controlled  
surcharge account.
- Loan Fee: 1% of Loan Amount

Please note that this is not to be considered a commitment to finance by D.L. Evans Bank, but simply for discussion purposes only. No financial analysis has been performed on this request.

If you should have any further questions please call me at (208) 939-7040.

Sincerely,

Dave Dickey  
SVP/Branch Manager  
DL Evans Bank  
Eagle, ID 83616  
208-939-7040

# EXHIBIT D

## Proposed Surcharge Calculation

[See attached]

## Eagle Water Compay Calculation of Surcharge

Amount Financed	794,104	(\$786,242 plus 1% Loan Fee)
Term	5 years	
Interest Rate	5.50%	(Variable)
Monthly Payment Required	15,168	
Annual Cash Required	182,016	
Multiplied by Gross-Up	<u>127.88%</u>	
Total Annual Surcharge	232,762	
Divided by Revenue subject to Surcharge	<u>432,464</u>	
Surcharge	<u><u>53.82%</u></u>	

	Number	2014 Revenues
2014 Customers		
Residential	3,089	532,972
Commercial	457	<u>233,100</u>
Total	3,546	766,072

Minimum Monthly Bill	7.84	
	27,801	
Times 12 Months		
Surcharge Exempt Base	<u>333,608</u>	
Revenues Subject to Surcharge	<u>432,464</u>	

### Calculation of Gross-Up for Taxes

1.	100.00% Taxable	
2.	<u>8.00%</u> State Tax Rate	
3.	92.00% Federal Taxable	
4.	13.80% Effective Federal Tax Rate	(15% Federal Rate)
5.	21.80% Composite Tax Rate	
6.	78.20% Net After Tax Income	
7.	127.88% Gross-Up Factor	



# EXHIBIT E

## Draft Revised Tariffs

(See attached)

Tariff No.

Page: Sheet 29  
6th Revised

I.P.U.C. No. \_\_\_\_\_  
Canceling Sheet No. 29, 5th Revised

Name of Utility: Eagle Water Company, Inc.

(Approval Stamp)

**RATE SCHEDULE NO. 1**

**Small Volume Unmetered Water Service**

**AVAILABILITY:**

Service under this Rate Schedule is available for each service connection of 1-1/4 inch or smaller that is not metered and where approved for a master metered mobile home park.

**RATE:**

For individual non-metered customers

- (a) For the months of November through April, inclusive, a flat rate of \$11.75 per month.
- (b) For the months of May through October, inclusive, a flat rate of \$19.75 per month.

For master-metered Mobile Home Parks

- (a) The total monthly rate is calculated as the number of Park Units times the appropriate individual non-metered customer rate (summer and non-summer).
- (b) A surcharge of 53.82 percent, per IPUC Order No. \_\_\_\_\_ will be added to all water usage greater than 600 cu. ft. per month per individual Park Unit from [ ], 2015 through [ ], 2020, inclusive.
  - i. Usage subject to surcharge shall be calculated by multiplying the number of individual Park Units times 600 cu. ft. and then subtracting that number from the overall Master Meter total ("Excess Usage") for a billing cycle.
  - ii. The surcharge shall then be calculated by multiplying the Excess Usage figure by the Schedule 2 metered rate of 0.451 cents per 100 cu. ft. and then multiplying that number by the surcharge of 53.82 percent. The resulting number shall be the surcharge amount collected.

**SERVICE CONDITIONS:**

- (a) All water service under this Rate Schedule is subject to the General Service Provisions of the Company's tariff of which this Rate Schedule is a part.
- (b) The Company, at its option, may meter service otherwise qualifying under this Rate Schedule, in which case such service shall be governed by Rate Schedule No. 2.

Issued: [ ], 2015

Effective: [ ], 2015

Issued By: Eagle Eater Company, Inc.

Signed: \_\_\_\_\_

Title: \_\_\_\_\_

DRAFT

Tariff No.

Page: Sheet 30  
5<sup>th</sup> Revised

I.P.U.C. No. \_\_\_\_\_  
Canceling Sheet No. 30, 4th Revised

Name of Utility: Eagle Water Company, Inc.

[Approval Stamp]

**RATE SCHEDULE No. 2**  
**Metered Service**

AVAILABILITY: To all metered customers.

Monthly

Per Meter

RATES: First 600 cu. ft. or less  
All over 600 cu. ft. per 100 cu. ft.

\$ 7.84  
0.451

A surcharge of 53.82% will be added to water usage over the 600 cu. ft. minimum from [ ], 2015 through [ ] 2020, inclusive, per IPUC Order No. \_\_\_\_\_

MINIMUM CHARGES:

	Cu. Ft. Allowed	Charge
¾" and smaller	600	\$ 7.84
1"	1,000	\$ 9.64
1 ¼" and 1 ½"	2,000	\$ 14.15
2"	3,200	\$ 19.56
3" or multiple meters of equivalent capacity	6,400	\$ 34.00
4" or multiple meters of equivalent capacity	10,600	\$ 52.94
6" or multiple meters of equivalent capacity	21,000	\$ 99.84
8" or multiple meters of equivalent capacity	32,000	\$ 149.45
10" or multiple meters of equivalent capacity	45,000	\$ 208.08

**CONDITIONS OF CONTRACT:**

The customer shall pay the minimum charge only when the amount resulting from applying the rates to the quantity of water used is less than the minimum charge.

A minimum bill will be prorated whenever the customer has not been a customer for the entire billing period and if the same customer has used less than the minimum allowance.

**Issued:** [ ], 2015

**Effective:** [ ], 2015

**Issued By:** Eagle Water Company, Inc.

**Signed:** \_\_\_\_\_

**Title:** \_\_\_\_\_

DRAFT

# EXHIBIT F

Draft Notice

to

Eagle Water Company Customers

(See attached)

## TO OUR CUSTOMERS

We have recently filed an Application with the Idaho Public Utilities Commission for a temporary surcharge to cover expenses that we have incurred and will incur to alleviate low water pressure problems in the northeastern portion of Eagle Water Company, Inc.'s service area. In addition, Eagle Water Company is seeking a temporary surcharge to finance the cost of a new well to further alleviate water pressure problems and better serve all of our Customers.

The Application seeks a surcharge of 53.82% on our existing rates for water consumption in excess of 600 cfs per month. As an example, if you currently consume 700 cfs per month of water via a ¾-inch or smaller service line, you would see an increase of 24 cents in your monthly water bill.

You may review a copy of our Application either at our office or at the Commission's office. You may also review the Application online at [www.puc.state.id.us](http://www.puc.state.id.us) under the "File Room" icon.

Comments, if any, must be filed with the Commission on or before [ ], 2015.

**Comment [mmo1]:** MODIFIED POROCEDURE COMMENT DEADLINE SET BY THE COMMISSION.

THIS NOTICE WILL BE SENT OUT TO EAGLE WATER CUSTOMERS AS SOON AS THE COMMISSION SETS THE COMMENT DEADLINE.

# EXHIBIT G

## Draft Press Release

(See attached)



FOR IMMEDIATE RELEASE

Eagle Water Company, Inc.

November [ ], 2015

Contact: Molly O'Leary  
208.453.6106

## EAGLE WATER COMPANY SEEKS TEMPORARY SURCHARGE

Eagle Water Company, Inc., which serves just over 3,500 customers in the Eagle, Idaho area, has filed an Application with the Idaho Public Utilities Commission seeking permission to assess its customers a temporary surcharge to recover costs it has incurred in the construction of a new well, its eighth. In addition, Eagle Water seeks to recover expenses it has incurred since 2009 for additional infrastructure improvement expenses it has incurred, as well as expenses it has incurred due to Ada County Highway District construction projects necessitating the movement of several of Eagle Water's water service lines.

Eagle Water has asked the Commission for expedited review and approval of its Application. The Company proposes that the surcharge become effective upon the Commission's approval.

Eagle Water proposes to borrow \$786,242.00 to cover its expenditures. Repayment of this loan would be made through a proposed 53.82% surcharge assessment on all water consumption in excess of 600 cubic feet of water per month, for a period of five years. No surcharge is requested for water usage at or below 600 cubic feet per month.

Eagle Water's rates are considerably lower than either the City of Eagle's municipal water system rates or United Water-Idaho's rates, and the proposed

FOR IMMEDIATE RELEASE

Eagle Water Company, Inc.

November [ ], 2015

Contact: Molly O'Leary  
208.453.6106

surcharge would not change this fact. With the proposed surcharge, Eagle Water Company residential customers would pay \$8.24 for the use of 700 cubic feet of water - a monthly increase of just 24 cents. That same amount of water consumption in a single billing cycle would cost a City of Eagle customer \$29.53, and would cost a United Water of Idaho customer \$22.37 during the summer billing months and \$20.90 in United Water's winter billing months. Thus, even with the proposed temporary surcharge, Eagle Water's customers would continue to pay considerably less than like-situated water users elsewhere in the Eagle area.

#