## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION COMMISSION

IN THE MATTER OF THE JOINT APPLICATION OF EAGLE WATER COMPANY, INC. AND SUEZ WATER IDAHO INC. FOR APPROVAL OF SALE AND ACQUISITION OF EAGLE WATER COMPANY, INC. ASSETS BY SUEZ WATER IDAHO INC. AND AMENDMENT OF CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY NO. 143, AND APPROVAL OF RATES AND CHARGES

Case Nos. SUZ-W-18-02 EAG-W-18-01

## DIRECT TESTIMONY OF ROBERT DESHAZO ON BEHALF OF EAGLE WATER COMPANY INC.

November 2018

1	Q.	Please state your name and business address?
2	A.	My name is Robert DeShazo and my office address is 188 West State Street,
3		Eagle Idaho 83616.
4	Q.	What is the name of the company you represent and your capacity?
5	A.	Eagle Water Company, Inc I am the President and General Manager.
6	Q.	How long have you been the President and General Manager?
7	A.	I have been the President and General Manager for 47 years.
8	Q.	What is the purpose of your testimony?
9	A.	Eagle Water Company is a joint applicant with SUEZ Water Idaho Inc.
10		requesting approval by the Idaho Public Utilities Commission of the
11		contemplated sale of Eagle Water Company's assets and transfer of its
12		certificate of public convenience and necessity to SUEZ. My testimony
13		describes the history of my involvement with Eagle Water Company, why
14		I have decided to sell the company assets now, and why the purchase of
15		those assets by SUEZ will be in the best interest of Eagle Water customers.
16	Q.	Please describe how you became involved with Eagle Water Company,
17		Inc.
18	A.	I started Eagle Water Company in 1972 when the city of Eagle, Idaho had
19		a population of about 180. I was building houses on land I was developing
20		in the area and there was no water company in Eagle. So I drilled the initial
21		wells and have spent the last 47 years building water infrastructure to
22		support the growth in the Eagle area.

1	Q.	Please describe why you are seeking to sell Eagle Water Company's
2		assets.
3	A.	First and foremost, I am now 78 years old, and I realize that a solid
4		succession plan for ownership and continued operation of the water system
5		is important to meet the needs of current and future customers.
6		Secondly, Eagle Water Company currently has over 4,000 customers. I
7		recognize that the company requires significant upgrades in billing, office
8		administration, water meters, well houses, standby generators, vehicles,
9		employee education and training along with engineering services for long-
10		term planning. Also, the company's water infrastructure should be
11		upgraded with a SCADA system to enable water production monitoring,
12		early leak detection and conservation management. Being 78, it is even
13		more difficult for me as an owner and manager to continue to keep up with
14		the ever-increasing stringent water quality regulations, increasingly
15		complex utility regulation, and increasingly complex operational and
16		technical requirements.
17		Eagle Water Company water rates have not really increased since 1972.
18		The regulatory process has been difficult for me to understand. Our existing
19		plant needs to be upgraded and rates need to be updated accordingly to
20		reflect these infrastructure upgrades, system improvements and shifting
21		focus on water conservation measures. In the absence of this sale to a
22		qualified purchaser who can efficiently address these needs, Eagle Water
23		Company would experience difficulties maintaining its system and

obtaining much-needed financing for its operations, maintenance and infrastructure upgrades.

A.

And finally, since I have no heirs who are capable or even willing to operate the company, it is important that I convey the Eagle Water Company system to a company that possesses the technical, managerial and financial capabilities to provide reliable and adequate service going forward (e.g., engineering; hydrology; utility management; utility accounting; customer service; computer systems; water production, treatment & testing; distribution system operation, and the resources to provide 24/7 emergency response services).

## Q. Can you please describe the nature of your agreement with H2O Eagle Acquisition?

In May of this year Eagle Water Company entered into an asset purchase agreement with H2O Eagle Acquisition, LLC. It was contemplated by the parties and provided for in the agreement that by this agreement H2O Eagle would acquire Eagle Water Company and transition the company into a wholesale water company or at H2O Eagle's sole option, H2O Eagle's rights under the agreement could be assigned to a very qualified purchaser. H2O Eagle subsequently expended a great deal of time and effort—time and effort that I have not been able to dedicate—to develop an appropriate plan of action. After months of due diligence, outside plant modeling, financial modeling, potential partner meetings and internal discussions H2O Eagle ultimately made the decision to approach SUEZ as a potential

purchaser and negotiate an agreement committing SUEZ to purchase the Eagle Water assets subject completion of its due diligence investigations and Commission approval. The closing of the purchase and sale of the Eagle Water assets under this agreement would occur at the same time as the closing of the sale under an asset purchase agreement that SUEZ and H2O Eagle have entered into (the "H2O Eagle – SUEZ APA"), and which is being submitted as an attachment to the Joint Application. The intent is that the Eagle Water Company assets will immediately transfer at closing to SUEZ, at which point SUEZ would acquire all ownership and responsibilities for operation of the water system.

## Q. Would you please summarize your testimony?

A.

For personal reasons and for what I believe to be in the best interest of Eagle Water Company customers, I have decided that now is the appropriate time to transfer ownership and operation of the company's water system to another company that is qualified to serve its customers and has the experience and financial wherewithal to upgrade and operate the system. Asset purchase agreements are place that would allow transfer of ownership and operation of the company's assets to SUEZ, which would become be the water utility serving customers in Eagle Water Company's existing service area. I firmly believe that the succession plan before the Commission in the Joint Application, including the sale of the company's assets and transfer of its CPCN to SUEZ as requested by the Joint

1		Application will be in the best interests of the Eagle Water Company
2		customers.
3	Q.	Does this conclude your testimony?
4	A.	Yes, it does.
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