

Capitol

Water
Corp.

2626 Eldorado Boise, Idaho 83704
Telephone 375-0931

June 21, 2006

Idaho Public Utilities Commission
P.O. Box 83720
Boise, Idaho 83720-0074

Case No. CAP-W-06-01

Subject: Application for Approval of Increase in Rates and Charges

Dear Commission:

Capitol Water Corporation requests the Commissions' approval of an increase in the rates it charges its customers of approximately 27.8%. This would result in an increase in the Company's annual revenues of approximately \$132,449. The company has not had an increase in its basic rates and charges since Commission Order No. 26247 was issued on November 27, 1995 authorizing an increase in rates of 7.27% Effective December 1, 1995.

Since that time, the company has requested and received Commission approval to implement two (2) surcharges to help it meet its capital improvement needs. (Case Nos. CAP-W-96-2, Order No.27022 and CAP-W-02-1, Order No.29306). These surcharges were necessary because the company could not meet its capital improvement needs from internally generated funds. The improvements were necessary to comply with governmentally mandated changes to the company's water system and to protect and maintain service quality to our customers.

The company continues to experience similar capital improvement requirements. Both wells No. 5 and No. 7 show continuing production declines requiring extensive rehabilitative cleaning every 2 to 4 years to maintain production and avoid the need for an additional well. In 2007, the Ada County Highway District will require the Company to replace a number of customer service lines (main to property line) to accommodate a

widening of Ustick Road. The company cannot generate the funds needed to meet these capital improvement needs at its current rate levels.

The attached financial exhibits are based upon the actual recorded performance of the company. They are comparable to the annual reports filed with the Idaho Public Utilities Commission for each of the years 2002 through 2005. The recorded financial data does not include any revenue, expense or capital investment associated with the Commission approved surcharges.

The company is proposing the use of the year 2005 as its test year for this case. The actual test year data has not been adjusted in any way for any known and measurable changes beyond the test year. The Company believes that the 2005 test year is indicative of the Company's continuing operations.

Exhibit No. 1 attached to this Application presents the detail of the company's revenues and expenses for the years 2002 through 2005. Attached Exhibit No. 2 carries through the revenues and expenses from Exhibit No. 1 to show the net income realized by the Company for the last four years. As can be seen from this Exhibit, income after payment of debt service cost has been a net loss in two of the last four years and a minimal income in the other two years.

Exhibit No. 3 presents a comparative balance sheet for the years 2002 through 2005. That exhibit is the basis for calculating rate base as presented on Exhibit No. 4. Exhibit No. 4 shows that the company has experienced a minimal return on its rate base of between three percent (3%) and seven one-hundredths of a percent ($7/100^{\text{th}}$ %) in each of the last four years. The most recent year (2005 Test Year) produced a return on rate base of fifty-four one-hundredths of a percent (.54%).

Exhibit No. 5 is a calculation of the company's "Weighted Cost of Capital". Using a return on the company's equity capital of 12%, together with the contractual costs of various debt instruments, results in a "Weighted Cost of Capital" of 11.48%. (Bank loans associated with the company's surcharge cases are not included in this calculation. As stated earlier, those debt service costs are paid from the surcharge revenues received and are not included here as part of the company's capital costs.)

Exhibit No. 6 shows the development of the company's gross revenue deficiency. This exhibit utilizes the Rate Base developed on Exhibit No. 4, the Weighted Cost of Capital (Rate of Return) developed on Exhibit No. 5 and the Net Operating Income developed on

Exhibit No. 2 to calculate the Net Operating Income Deficiency of \$102,800 shown on line 5. This deficiency must be grossed-up for revenue sensitive costs the Company will realize. The calculation of the gross-up factor is shown on lines 10 through 18 of the exhibit. When the gross-up factor is applied to the Net Operating Income Deficiency, a Gross Revenue Deficiency of \$132,449 results (line 7). The increased revenue

requirement represents an increase of 27.84% (line 9) in the actual revenues billed customers of \$475,805 shown on line 8.

The company proposes to collect additional revenues through a two step approach. First, the company proposes to change the months subject to its summer rate schedule to include the month of April. The summer rate applies only to the company's Schedule No. 1 flat rate schedule. All other rate schedules are metered so increased consumption for summer irrigation needs are reflected in the customer's bills. Exhibit No. 7 presents a comparison of the company's electric consumption at each of its wells for several years. The total pumping power consumption is indicative of the water demand on the water system. As can be seen from this exhibit, water demand in April is significantly greater than for the month of February. February is used here as a base domestic use indicator. The increased April consumption reflects increased demand to meet customer's lawn watering needs. An argument could also be made to include the month of October in the summer rate period.

The company estimates that the addition of April to the summer rate period will increase revenues by approximately \$27,000. The lower portion of Exhibit No. 7 shows how the \$27,000 estimate was determined.

Second, the company proposes to spread the remaining revenue deficiency of \$105,602 as an equal percentage increase of 22.21% across the board to each of its tariff rates. Exhibit No. 8 shows the development of the remaining increase requirement.

Exhibit No. 9 is a marked-up copy of the company's existing tariff rates showing the existing rates and proposed rates in legislative format.

Exhibit No. 10 is a clean copy of the company's proposed new tariff sheets for the Commissions' approval.

Exhibit No. 11 is a copy of the company's notice to its customers that will be included in customer billings to be mailed in July. A similar notice will be published in the Idaho Statesman newspaper coincident with mailing the notice directly to our customers.

The company proposes an effective date for the new rates to be the first day of the month beginning 30 days after the date of filing this case. That effective date would be August 1, 2006.

The company requests that the Commission proceed with this case under Modified Procedure without hearing. In the event the Commission determines a hearing is necessary, the company stands ready to prepare and file testimony in support of the attached exhibits.

Questions regarding this application should be addressed to :

H. Robert Price
Capitol Water Corp.
2626 Eldorado
Boise, Idaho 83704

Ph: (208) 375-0931
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Boise, Idaho 83713

Ph: (208) 761-9501
e-mail utilitygroup@yahoo.com

Please provide copies of all correspondence, notices and orders to the above individuals.

Respectfully submitted,

A handwritten signature in cursive script that reads "H. Robert Price". The signature is written in black ink and is positioned above the printed name and title.

H. Robert Price
President

Capitol Water Corporation
Revenue and Expense Detail
2002 - 2005 Comparison

		(A)	(B)	(C)	(D)	
		2002	2003	2004	Test Year 2005	
<u>REVENUES</u>						
1	460	Unmetered Water Revenue	\$380,423	\$ 360,494	\$ 371,384	\$ 375,977
2	461.1	Metered Sales - Residential				
3	461.2	Metered Sales - Commercial, Industrial	75,951	77,612	94,573	94,151
4	462	Fire Protection Revenue	4,578	4,465	4,720	4,788
5	464	Other Water Sales Revenue	2,628	6,320	8,729	889
6	465	Irrigation Sales Revenue				
7	466	Sales for Resale				
8	400	Total Revenue	\$ 463,580	\$ 448,891	\$ 479,406	\$ 475,805
9	Commission Approved Surcharges Collected		\$ 174,766	\$ 217,429	\$ 129,298	\$ 125,462
			Surcharge revenue is not included above			

<u>OPERATING EXPENSES</u>						
10	601.1-6	Labor - Operation & Maintenance	\$ 39,784	\$ 42,154	\$ 42,714	\$ 43,661
11	601.8	Labor - Customer Accounts	33,608	34,814	35,781	36,591
12	603.8	Labor - Administrative & General	33,280	33,087	32,900	33,633
13	603	Salaries, Officers & Directors	53,000	52,167	50,833	52,015
14	604	Employee Pensions & Benefits	26,332	27,827	32,537	35,884
15	610	Purchased Water				
16	615-16	Purchased Power & Fuel for Power	31,842	53,826	56,834	68,255
17	618	Chemicals		288		83
18	620.1-6	Materials & Supplies - Operation & Maint.	28,496	20,659	19,588	19,452
19	620.7-8	Materials & Supplies - Administrative & General	16,210	16,953	15,700	20,026
20	631-34	Contract Services - Professional	12,748	16,278	5,810	10,314
21	635	Contract Services - Water Testing				
22	636	Contract Services - Other	618	513	613	886
23	641-42	Rentals - Property & Equipment				
24	650	Transportation Expense	6,213	6,019	6,376	7,853
25	656-59	Insurance	12,882	14,611	16,101	12,673
26	660	Advertising				
27	666	Rate Case Expense (Amortization)				
28	667	Regulatory Comm. Exp. (Other except taxes)				
29	670	Bad Debt Expense	35	182	-	43
30	675	Miscellaneous	9,435	7,314	9,255	9,271
31	Total Operating Expenses		\$ 304,483	\$ 326,692	\$ 325,042	\$ 350,640

Capitol Water Corporation
Comparative Income Statements
For the Years 2002 - 2005

	(A)	(B)	(C)	(D)
	2002	2003	2004	Test Year 2005
1 Revenue (From Exhibit No. 1 Line 8)	\$ 463,580	\$ 448,891	\$ 479,406	\$ 475,805
2 Operating Expenses (From Exhibit No. 1 Line 31)	304,483	326,692	325,042	350,640
3 403 Depreciation Expense	91,475	73,319	79,794	75,937
4 406 Amortization, Utility Plant Aquisition Adj.				
5 407 Amortization Exp. - Other				
6 408.10 Regulatory Fees (PUC)	1,447	1,518	1,603	1,589
7 408.11 Property Taxes	32,159	33,100	30,092	29,125
8 408.12 Payroll Taxes	12,603	12,587	12,778	12,623
9 408.13 Other Taxes (list) DEQ Fees				
10 Irrigation		177	515	
11 Vehicles	354			766
12 409.10 Federal Income Taxes	316	585	-	-
13 409.11 State Income Taxes	3,378	164	20	20
14 410.10 Provision for Deferred Income Tax - Federal				
15 410.11 Provision for Deferred Income Tax - State				
16 411 Provision for Deferred Utility Income Tax Credits				
17 412 Investment Tax Credits - Utility				
18 Total Expenses from operations before interest	<u>\$ 446,215</u>	<u>\$ 448,142</u>	<u>\$ 449,844</u>	<u>\$ 470,700</u>
19 Net Operating Income	<u>\$ 17,365</u>	<u>\$ 749</u>	<u>\$ 29,562</u>	<u>\$ 5,105</u>
20 419 Interest & Dividend Income	409			
21 Net Income Before Interest Charges	<u>\$ 17,774</u>	<u>\$ 749</u>	<u>\$ 29,562</u>	<u>\$ 5,105</u>
22 427.3 Interest Exp. on Long-Term Debt	13,248	8,101	6,445	5,678
23 NET INCOME	<u>\$ 4,526</u>	<u>\$ (7,352)</u>	<u>\$ 23,117</u>	<u>\$ (573)</u>

Capitol Water Co.
Comparative Balance Sheets
For the Years 2002 - 2005

	(A) Corrected 2002	(B) 2003	(C) 2004	(D) Test Year 2005	
ASSETS					
<u>Plant in Service</u>					
1 Organization Costs	\$ 3,584	\$ 3,584	\$ 3,584.00	\$ 3,584	
2 Franchises and Comcents	40,969	40,969	40,969	40,969	
3 Land and Land Rights	31,237	32,230	32,230	32,230	
4 Structures and Improvements	122,440	125,544	115,726	116,746	
5 Collecting and Impounding Reservoirs	2,452	2,452	2,452	2,452	
6 Wells	212,383	228,396	228,396	228,396	
7 Supply Mains	1,065,926	1,069,119	1,090,049	1,090,374	
8 Power Pumping Equipment	157,884	162,713	162,713	162,944	
9 Purification System	22,184	22,184	22,184	22,184	
10 Distribution Reservoirs & Standpipes	1,076	1,076	1,076	1,076	
11 Trans & Dist Mains & Accessories	4,511	11,608	11,702	12,507	
12 Services	548,907	572,839	617,025	642,854	
13 Meters & Meter Installations	92,414	95,738	104,153	104,511	
14 Office Furniture and Equip.	17,285	17,285	17,962	18,340	
15 Transportation Equip.	91,668	122,600	122,600	103,879	
16 Tools Shop & Garage Equip.	12,321	13,511	13,664	15,786	
17 Other Tangible Prop.	107	107	107	107	
18	Total Plant in Service	\$ 2,427,348	\$ 2,521,955	\$ 2,586,592	\$ 2,598,939
<u>Accumulated Depreciation</u>					
19 Structures & Improvements	\$ 72,809	75,948	78,676	81,508	
20 Collecting and Impounding Reservoirs	2,397	2,400	2,402	2,405	
21 Wells	121,864	127,902	134,260	140,619	
22 Supply Mains	731,760	757,861	784,514	810,825	
23 Power Pumping Equip	90,312	94,354	98,492	102,636	
24 Purification Systems	19,385	19,514	19,643	19,772	
25 Distribution Reservoirs & Standpipes	205	248	292	334	
26 Transmission & Dist. Mains & Acces.	2,186	2,471	2,901	3,350	
27 Services	251,180	268,802	287,933	308,403	
28 Meters & Meter Installations	44,962	48,075	51,451	54,976	
29 Office Furniture & Equip.	13,483	15,336	16,910	17,319	
30 Transportation Equip	68,099	82,539	96,830	88,380	
31 Tools, Shop & Garage Equip.	8,748	9,742	10,678	11,667	
32 Other Tangible Prop.	65	69	73	77	
33	Total Accumulated Depr.	\$ 1,427,455	\$ 1,505,261	\$ 1,585,055	\$ 1,642,271
34 Net Plant in Service	\$ 999,893	\$ 1,016,694	\$ 1,001,537	\$ 956,668	
35 Other Investments	50,141	52,984	60,763	60,763	
36 Cash	45,970	6,157	26,179	1,341	
37 A/R Customers	58,675	45,630	45,463	48,005	
38 Materials & Supplies Inv.	7,359	7,359	6,801	6,801	
39 Prepaid Exp.	960	961	130	-	
40	TOTAL ASSEST	\$ 1,162,998	\$ 1,129,785	\$ 1,140,873	\$ 1,073,578
<u>LIABILITIES & CAPITAL</u>					
41 Common Stock	\$ 10,000	\$ 10,000	10,000	10000	
42 Misc. Capital Accounts	29,200	29,200	29,200	29,200	
43 Unappropriated Retained Earnings	555,896	539,046	554,146	533,604	
44	Total Equity Capital	\$ 595,096.0	\$ 578,246.0	\$ 593,346.0	\$ 572,804.0
45 Bonds	\$ 5,000	\$ 5,000	5,000	5000	
46 Accounts Payable	5,869	9,045	13,578	6,176	
47 Notes Payable	132,315	141,137	117,347	90,708	
48 Accrued Other Taxes Payable	40,270	40,499	38,996	38,759	
49 Accrued Income Taxes Payable	(4,083)	(5,022)	(5,166)	(5,166)	
50 Accrued Debt, Interest & Dividends	250	500	-	375	
51 Advances for Construction	322,690	302,999	319,391	304,591	
52 Contributions In Aid of Construction	150,839	147,115	148,115	150,065	
53 Accum Amortization of CIAC	(85,248)	(89,734)	(89,734)	(89,734)	
54	Total Liabilities	\$ 567,902	\$ 551,539	\$ 547,527	\$ 500,774
	TOTAL LIABILITIES AND CAPITAL	\$ 1,162,998	\$ 1,129,785	\$ 1,140,873	\$ 1,073,578

Capitol Water Co.
Comparative Rate Base
and Return on Capital
For the Years 2002 - 2005

	(A)	(B)	(C)	(D)
	2002	2003	2004	Test Year 2005
1 Plant in Service	\$ 2,427,348	\$ 2,521,955	\$ 2,586,592	\$ 2,598,939
2 Less Accum Depr	(1,427,455)	(1,505,261)	(1,585,055)	(1,642,271)
3 Less Contributions in Aid	(150,839)	(147,115)	(148,115)	(150,065)
4 Add Accum Amort of CIAC	85,248	89,734	89,734	89,734
5 Add Working Capital	38,060	40,837	40,630	43,830
6 Rate Base	\$ 972,362	\$ 1,000,150	\$ 983,786	\$ 940,167
7 Net Operating Income	\$ 17,365	\$ 749	\$ 29,562	\$ 5,105
8 Return on Rate Base	1.785857%	0.074889%	3.004921%	0.542989%

Capitol Water Co.
 Weighted Cost of Capital
 For the TestYear 2005

	(A)	(B)	(C)	(D)
	Amount	Ratio	Cost	Weighted Cost
1 Common Stock	\$ 10,000			
2 Additional Paid-in Capital	29,200			
3 Unappropriated Retained Earnings	<u>533,604</u>			
4 Total Common Equity	\$ 572,804	85.68%	12.00%	10.28%
5 Debenture Bonds	\$ 5,000	0.01	10.00%	0.07%
6 Note, Bayhill	20,051	0.03	7.87%	0.24%
7 Note R. Price	55,232	0.08	9.00%	0.74%
8 Note Bank of America	12,980	1.94%	7.25%	0.14%
9 Note Ford Motor Credit	<u>2,446</u>	0.37%	0.00%	0.00%
10 Total Capital	\$ 668,513	100.00%		11.48%

**Capitol Water Co.
Revenue Requirement
For the TestYear 2005**

1 Rate Base		\$ 940,167
2 Required Return on Rate Base		<u>11.48%</u>
3 Required Net Operating Income		\$ 107,905
4 Net Operating Income Realized		<u>5,105</u>
5 Net Operating Income Deficiency		\$ 102,800
6 Net to Gross Multiplier		<u>128.84%</u>
7 Gross Revenue Deficiency		\$ 132,449
8 Actual Revenue Billed		<u>\$ 475,805</u>
9 Revenue Increase Percentage Required		27.84%

Gross-up Factor Calculation		
10	Net Deficiency	100.0000%
11	PUC Fees	0.2486%
12	Bad Debts	<u>0.5000%</u>
13		99.2514%
14	State Tax @ 8%	<u>7.9401%</u>
15	Federal Taxable	91.3113%
16	Federal Tax @ 15%	<u>13.6967%</u>
17	Net After Tax	77.6146%
18	Net to Gross Multiplier	128.8417%

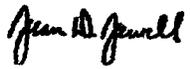
Capitol Water Co.
Electric Power Consumption

Billing Period End Date	(A) Well 1 Kwh	(B) Well 2 Kwh	(C) Well 3 Kwh	(D) Well 4 Kwh	(E) Well 5 Kwh	(F) Well 6 Kwh	(G) Well 7 Kwh	(H) Total Kwh
2002 Comparison								
3/12/2002	2,190	15	12	2,280		34	30,520	35,051
5/10/2002	3,250	13	34,307	12,780			55,400	105,750
						April % of February		302%
10/7/2002	5	13	44,944	10,320	33,660	18	33,760	122,720
						September % of February		350%
11/14/2002	458	14	38,082	1,620	43,230	43	12,840	95,829
						October % of February		273%
2003 Comparison								
3/11/2003	1,252	16	38,988	1,920	23,160	81	160	65,577
5/9/2003	689	15	34,925	15,660	25,440	26	6,000	82,755
						April % of February		126%
10/9/2003	134	13	48,253	33,600	45,600	4	37,400	165,004
						September % of February		252%
11/7/2003	363	14	43,917	1,680	34,060	240	14,400	94,674
						October % of February		144%
2004 Comparison								
3/9/2004	1,580	14		1,320	35,200	88	27,160	65,362
5/10/2004	1,054	14	49,413	21,840	47,660	280	56,960	177,221
						April % of February		271%
10/8/2004	9	14	163	28,920	55,900	31	56,200	141,237
						September % of February		216%
11/8/2004	5	14		3,120	41,100	400	36,600	81,239
						October % of February		124%
2005 Comparison								
3/10/2005	1,578	14		3,600	54,260	81	52,240	111,773
5/11/2005	1,584	13		26,320	57,580	240	42,840	128,577
						April % of February		115%
10/10/2005	5	14	50,529	17,080	72,700	35,960	27,000	203,288
						September % of February		182%
11/8/2005	4	13	45,615	7,440	64,700	15,240	11,080	144,092
						October % of February		129%

Year	Number of Customers Billed for April	Summer Rate Adder	Incremental April Revenues
2002	2,234	\$11.07	\$ 24,730
2003	2,234	\$11.07	\$ 24,730
2004	2,247	\$11.07	\$ 24,874
2005	2,418	\$11.07	\$ 26,767

Capitol Water Corporation
Tariff Rate Increase
After Shift of Summer
Rate to Include April

1 Gross Revenue Deficiency (Ex	\$ 132,449
Less Incremental Revenue From	
2 Shift of Existing Summer Rate to April	<u>-26767.26</u>
3 Remaining Revenue Deficiency	\$ 105,682
4 Gross Revenue Billed	<u>475,805</u>
5 Percentage increase to all Rates	22.21%

Tariff No.	Page	IDAHO PUBLIC UTILITIES COMMISSION APPROVED	
I.P.U.C. No.		JAN 12 '04	EFFECTIVE JAN 1 - '04
Canceling		 SECRETARY (Approval Stamp)	
Name of Utility	CAPITOL WATER CORPORATION		

SCHEDULE NO. 1

~~(Including early retirement of Surcharge #1 and increasing Surcharge #2 from \$3.10 per month to \$3.55 per month per IPUC Order No. 29401)~~

APPLICABLE: To all non-metered customers for domestic use and lawn sprinkling

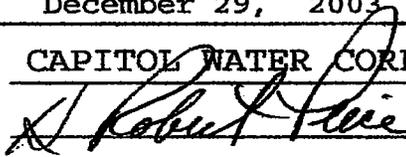
RATE: Flat rate per month as follows:

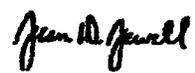
Service Size	Base Monthly Rate	Temp. Surcharge	3% Franchise Tax	DEQ Fee	Total Monthly Base Rate
3/4"	8.65 \$ 10.57	3.55	.38 .42	.34	\$12.92 \$ 14.88
1"	10.45 \$ 12.77	3.55	.43 .49	.34	\$14.77 \$ 17.15
1 1/4"	11.66 \$ 14.25	3.55	.47 .53	.34	\$16.02 \$ 18.67

Sprinkling Charge: From May 1 through September 30, the following rates will be added to the base monthly rates:

Monthly Sprinkling Rate	3% Franchise Tax	DEQ Fee	Total Monthly Sprinkling Rate
11.07 \$ 13.53	.33 .41	0	\$11.40 \$ 13.94

Per Commission Order No. ~~29401~~

Issued	December 29, 2003	Effective	January 1, 2004
Issued by	CAPITOL WATER CORPORATION		
By		Title	President

Tariff No.	Page	IDAHO PUBLIC UTILITIES COMMISSION	
I.P.U.C. No.		APPROVED	EFFECTIVE
Canceling		JAN 12 '04	JAN 1 - '04
Name of Utility		 SECRETARY (Approval Stamp)	
CAPITOL WATER CORPORATION			

SCHEDULE NO. 2

~~(Including early retirement of Surcharge #1 and increasing Surcharge #2 from 23.6% to 27.1 per IPUC Order No. 29401)~~

APPLICABLE: To all metered customers

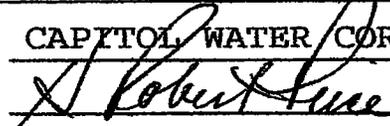
RATE:	Basic	Surcharge 27.1%	Total
For the first 1,000 cu. feet per month Per 100 cubic feet	\$.85 ^{1.04}	.23	\$ 1.08 ^{1.27}
For the next 1,000 cu. feet per month Per 100 cubic feet	\$.48 ^{.59}	.13	\$.61 ^{.72}
For the next 1,000 cu. feet per month Per 100 cubic feet	\$.36 ^{.44}	.10	\$.46 ^{.54}

MINIMUM CHARGE: The monthly minimum charge for service under this schedule shall not be less than the following:

Service Size	Flat Minimum Charge	3% Franchise Tax	DEQ Fee	Surcharge	Total Monthly Minimum Charge
¾" and smaller	5.54 ^{6.77}	.22 ^{.26}	.34	1.50	\$ 7.60 ^{8.87}
1"	7.78 ^{9.51}	.31 ^{.36}	.34	2.11	\$ 10.54 ^{12.32}
1½"	11.37 ^{13.90}	.44 ^{.52}	.34	3.08	\$ 15.23 ^{17.83}
2"	19.62 ^{23.98}	.76 ^{.89}	.34	5.32	\$ 26.04 ^{30.53}
3"	35.20 ^{43.02}	1.35 ^{1.59}	.34	9.54	\$ 46.43 ^{54.48}

Per Commission Order No. 29401

Issued December 29, 2003 Effective January 1, 2004

Issued by CAPITOL WATER CORPORATION
 By  Title President

CAPITOL WATER CORPORATION

Theresa J. Stalter SECRETARY

SCHEDULE NO. 4

APPLICABLE: To all customers who have fire sprinkler systems and/or inside hose connections for fire fighting purposes.

RATE: For service through a separate line for fire fighting purposes, as follows:

<u>Service Size</u>	<u>Flat Monthly Rate</u>	<u>3% Franchise Tax</u>	<u>DEQ Fee</u>	<u>Total Monthly Rate</u>
3"	6.08 ^{\$} 7.43	.18 [¢] 23	.34	6.60 ^{\$} 8.00
4"	8.50 ^{\$} 10.39	.26 [¢] 31	.34	9.10 ^{\$} 11.04
6"	19.43 ^{\$} 23.75	.58 [¢] 71	.34	20.35 ^{\$} 24.80
8"	31.56 ^{\$} 38.67	.95 ^{\$} 1.16	.34	32.85 ^{\$} 40.07
10"	48.50 ^{\$} 59.27	1.46 ^{\$} 1.78	.34	50.30 ^{\$} 61.39

MISCELLANEOUS: If the installation of a private fire service requires an extension of the existing mains of the utility, the costs of such extension shall be borne by the customer.

All private fire service shall be equipped with sealed gate valves or thermal automatic openings.

Meters may be placed on fire services by the utility at any time, however, metered rates will not apply unless improper use of water is disclosed. In that event, usage will be billed to the consumer under rate Schedule No. 2.

Issued: Per Order No. 26247

Effective: December 1, 1995

CAPITOL WATER CORPORATION

H. Robert Price, President

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Canceling _____	
Name of Utility CAPITOL WATER CORPORATION	(Approval Stamp)

SCHEDULE NO. 1

APPLICABLE: To all non-metered customers for domestic use and lawn watering.

RATE: Flat rate per month as follows:

Service Size	Base Monthly Rate	Temp. Surcharge*	3% Franchise Tax	DEQ Fee	Total Monthly Base Rate
3/4"	\$ 10.57	3.55	0.42	0.34	\$ 14.88
1"	\$ 12.77	3.55	0.49	0.34	\$ 17.15
1 1/4"	\$ 14.25	3.55	0.53	0.34	\$ 18.67

Sprinkling Charge: From April 1 through September 30, the following rates will be added to the base monthly rates:

Monthly Sprinkling Rate	3% Franchise Tax	Total Monthly Sprinkling Rate
\$ 13.53	0.41	\$ 13.94

Per Commission Order No. _____

Issued July _____	Effective _____	August 1, 2006
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By _____ Title President

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Name of Utility CAPITOL WATER CORPORATION	(Approval Stamp)

SCHEDULE NO. 2

APPLICABLE: To all metered customers

RATE:	Basic	Surcharge	Total
For the first 1000 cu. feet per month Per 100 cubic feet	\$ 1.04	0.23	\$ 1.27
For the next 1000 cu. feet per month Per 100 cu. Feet	\$ 0.59	0.13	\$ 0.72
For all consumption in excess of 2,000 cu. Feet per month, Per 100 cu. feet	\$ 0.44	0.10	\$ 0.54

MINIMUM CHARGE: The monthly minimum charge for service under this schedule shall not be less than the following:

Service Size	Flat Minimum Charge	3% Franchise Tax	DEQ Fee	Surcharge	Total Monthly Minimum Charge
3/4" and smaller	\$ 6.77	\$ 0.26	0.34	1.50	\$ 8.87
1"	\$ 9.51	\$ 0.36	0.34	2.11	\$ 12.32
1 1/2"	\$ 13.90	\$ 0.52	0.34	3.08	\$ 17.83
2"	\$ 23.98	\$ 0.89	0.34	5.32	\$ 30.53
3"	\$ 43.02	\$ 1.59	0.34	9.54	\$ 54.48

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SCHEDULE NO. 3

RATES FOR PUBLIC FIRE HYDRANTS

Availability:

For City of Boise fire hydrants

Rate:

Flat rate per month for each hydrant \$ 2.86

Per Commission Order No. _____

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SCHEDULE NO. 4

APPLICABLE: To all customers who have fire sprinkler systems and/or inside hose connections for fire fighting purposes.

Rate: For service through a separate line for fire fighting purposes, as follows:

Service Size	Flat Monthly Rate	3% Franchise Tax	DEQ Fee	Total Monthly Rate
3"	\$ 7.43	0.23	\$ 0.34	\$ 8.00
4"	\$ 10.39	0.31	\$ 0.34	\$ 11.04
6"	\$ 23.75	0.71	\$ 0.34	\$ 24.80
8"	\$ 38.57	1.16	\$ 0.34	\$ 40.07
10"	\$ 59.27	1.78	\$ 0.34	\$ 61.39

MISCELLANEOUS: If the installation of a private fire service requires an extension of the existing mains of the utility, the cost of such extension shall be borne by the customer.

All private fire service shall be equipped with sealed gate valves or thermal automatic openings.

Meters may be placed on fire services by the utility at any time, however, metered rates will not apply unless improper use of water is disclosed. In that event, usage will be billed to the customer under rate Schedule No. 2.

Per Commission Order No. _____

Issued July _____ Effective August 1, 2006

By _____ Title President

BILL STUFFER NOTICE

NOTICE TO OUR CUSTOMERS

Capitol Water Corporation filed an application with the Idaho Public Utilities Commission on June 21, 2006 to raise the rates we charge our customers. The Company is requesting an increase of approximately **27.8%** in the rates currently charged. The Company has not had an increase in its base rates since November of 1995.

The Company is proposing to implement rate changes in two ways. First, the Company proposes to extend the summer rate period to include the month of April. Second, the Company proposes to spread the remaining rate increase requirement over all water rates by increasing them by 22.21%.

The Company currently has in place a temporary surcharge that was necessary to help the Company meet its short term capital improvement requirements. These improvements were necessary to comply with governmentally mandated changes to the Company's system and to rehabilitate and replace wells to insure our water supply. The surcharge does not help the Company meet its normal day to day operating expenses. The funds generated by the surcharge are dedicated to paying for the required improvements to the water system. This surcharge is expected to expire in June of 2009.

A copy of the application is on file and available for inspection at the Idaho Public Utilities Commission, 472 W. Washington St., Boise, Idaho and at the Company's office located at 2626 Eldorado Street. The application can also be viewed on-line at the Idaho Public Utilities Web Site. The web address is www.puc.state.id.us

Written questions and comments directed to the Idaho Public Utilities Commission should be addressed to, Idaho Public Utilities Commission, P.O. Box 83720, Boise, ID, 83720-0074. Comments may also be submitted at the Commissions above referenced web site. Correspondence should identify the application by its case No. CAP-W-06-1. The Commission can be contacted at (208) 334-0300 or (800) 432-0369..