



FALLS WATER COMPANY

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IDAHO PUBLIC
UTILITIES COMMISSION

November 3, 2005

Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

FLS-W-05-01

Enclosed are the original and seven copies of a general rate case application from Falls Water Company, Inc. Also, enclosed is a CD with a pdf file of the enclosed application and Excel spreadsheet files of work papers for the attachments and exhibits in the application.

Please contact me with any questions. Thank you for your attention to the enclosed request.

Sincerely,

K. Scott Bruce
Falls Water Company, Inc.
Manager

Enclosures

K. Scott Bruce
Falls Water Company, Inc.
1770 Sabin Dr
Idaho Falls, ID 83406
Tel. (208) 522-1300
Fax (208) 522-4099
E-mail: scott@fallswater.com
Representative for Falls Water Company, Inc.

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2005 NOV -4 AM 9:14
IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF FALLS WATER COMPANY, INC.)
FOR AUTHORITY TO INCREASE ITS)
RATES AND CHARGES)

CASE NO. FLS-W-05-01

APPLICATION

FALLS WATER COMPANY, INC. ("Falls Water" or "Applicant"), an Idaho not-for-profit corporation and holder of Certificate of Public Convenience and Necessity No. 236 from the Idaho Public Utilities Commission ("Commission") hereby makes application to the Commission for an order to authorize revision of its schedule of rates for water service.

Applicant provides water service to 2,832 connections serving a population of approximately 9,350 in Bonneville County, Idaho northeast of Idaho Falls. Falls Water has provided service to this area for the last 45 years.

A copy of Applicant's present schedule of rates is attached hereto as Attachment 'A'.

A copy of Applicant's proposed new rates and charges to provide service to Applicant's customers is hereto attached as Attachment 'B'. Applicant requests an effective date for the proposed rates of April 15, 2006.

Applicant hereby certifies that a notification of our intent to file this application was mailed to all customers on November 7, 2005. A similar notice was released to the local television stations and newspapers. A copy of the notice is included with this application as Attachment C.

Applicant further states that it stands ready for immediate consideration of this application.

The need for filing this application has come about due to the fact that the Applicant has experienced significant growth in the past two years and current rate schedules are inadequate to cover current operations and maintenance of the water system. Due to the increase in customers, Falls Water has hired an additional 2 full time employees and 1 part time employee to provide adequate customer service.

The current water right situation in Idaho has prompted Falls Water to evaluate options for providing water to new developments. Many of the recent developments have been built on land, which was used for agriculture and is part of an irrigation district. Falls Water is seeking to require developers to utilize the existing irrigation right for future developments by having the developer install pressurized secondary irrigation

systems. This option will allow Falls Water to better utilize its existing water rights and promote responsible use of existing water rights for the land being developed. To accommodate this purpose, Falls Water has submitted a new water rate R-4, Metered Residential Services with Secondary Irrigation Systems for Lawns and Landscaping. The excess use charge is intentionally high to discourage use of Falls Water's water for irrigation purposes. This is because the development would be brought on to the system and allotted only enough of Falls Water's water rights to cover in-house use by the customers in that development. If they use water for irrigation purposes, Falls Water will find itself short of water rights in the future.

Applicant requests the amount of water usage included in the minimum charge for metered residential customers be reduced from 20,000 gallons to 8,000 gallons during the summertime, the period starting with the April meter reading and ending with the October meter reading. The included usage during the wintertime, the period starting with the October meter reading and ending with the April meter reading, would be reduced from 20,000 gallons to 15,000 gallons. The historical average monthly usage per household during the six-month wintertime was 7,500 gallons per month in 2002, 7,167 gallons per month in 2003 and 2004. The winter use is a reasonable gauge for in-house use for the average household in our system. Falls Water feels that in-house use of 8,000 gallons for summer months would lead to greater conservation of water resources as the households must pay for consumptive use of water on lawns and landscapes. The higher water usage included in the wintertime rate would allow the customers to run some water during cold weather to prevent freezing of household water lines. It would also assure

that the vast majority of our customers would not have additional charges in April due to exceeding the average usage per month during the winter. In 2005, 82 customers exceeded the 120,000 gallons of usage during the winter months. Most causes for exceeding the 20,000 gallons per month were the result of leaking service lines or leaking plumbing fixtures.

Applicant seeks a planned phase out of its flat rate. Currently the flat rate is restricted to the all residential customers located in the SW 1/4 of Section 14, Township 2 North, Range 38 East Boise Meridian, Bonneville County, Idaho (Mobile Home Estates Subdivision, Monte Vista Estates, and First Street Mobile Park). It is proposed that applicant install meters for the accounts in this area over a six-year period. The meter installation would not require additional funds. It is proposed that Falls Water use meters that would be normally assigned to the upgrade and replacement of existing meters and use these meters to upgrade the 585 customers in the flat rate area to become metered. The plan would require installation of 108 meters in 2006, 105 meters in 2007, 115 meters in 2008, 119 meters in 2009, 95 meters in 2010, and 43 meters in 2011 (see attachment I for map of planned installations). Applicant requests that it be allowed to begin billing these former flat rate customers under Schedule No. R-1 as soon as meters are installed in the customers' lot (i.e. when the 108 meters for 2006 are installed in the customers' lots, they would be billed at the Schedule No. R-1 rate from that month forward).

The benefits to metering all accounts are:

1. All customers would be on an equal footing and pay for water used.
2. The phasing out of the flat rate promotes conservation of water.
3. Falls Water will be able to better determine water loss in the system with all customers metered.

Falls Water seeks to add a field collections fee to Schedule No. M. The proposed rate would be \$15.00. The rate would be imposed upon customers who fail to acknowledge the required notices of termination for non-payment on account until the serviceman is at the home ready to terminate services and the customer then wishes to pay the balance. The purpose for the fee is that the customer has created work for clerical staff and servicemen by ignoring the seven-day termination notice and the 24-hour termination notice. The company's customers must bear the cost in wages and resources to prepare the final notice and bear the cost of sending a serviceman to terminate services of a customer who chose to ignore the first two notices and with a simple phone call could make a payment arrangement or could make payment. Falls Water seeks to place the burden of these additional costs on the customers responsible for them.

Applicant seeks relief from the Commission for expenses that were incurred in 2004 and 2005 for payroll expenses incurred due to extenuating circumstances. Applicant finalized its current rates on December 15, 2003. Early in December 2003, Falls Water was informed by its owner that the office space then occupied was needed by the owner for expansion of the owners other businesses. Falls Water moved into its current office space on January 2, 2005. The owner for the other business ventures kept

the office staff, at the previous office building, at that office. This necessitated the hiring of a new employee to assist with clerical/receptionist duties. This expense was not anticipated in the rate case that was approved in December 2003. The next instance occurred in May 2005 while preparing this rate case. The owner decided to restructure one of the businesses and it required that one employee in that business be let go. The owner chose to not let the employee go and put him to work with Falls Water. The owner's other ventures have funded a portion of this employee's wages through the end of 2005 with Falls Water paying the balance. The need for the additional manpower was needed in both cases; however, the timing was not the best. The addition of the office staff in 2004 was necessary but was difficult to seek adjustment to our rates having just completed a rate case. The addition of the serviceman has strained Falls Water Company's cash flow. Exhibit F of Attachment G details these expenses and seeks to amortize the expense over two years in the revenue requirements of this rate case in the amount of \$37,833.46 per year for two years for a total of \$75,666.92.

Falls Water is currently working with the Department of Environmental Quality to secure funding in the amount of \$700,000.00 to construct two new 1500 gallon per minute wells needed to improve water delivery to our customers. This rate case does not include any proposed rate increases due to the construction or future operation and maintenance of these new assets. It is applicant's intent to seek the necessary rate adjustments to keep the company whole in a future case.

The requested increase in charges will result in revenue sufficient to pay for the current operating expenses and provide a small return, which will be held by the corporation for system improvements and replacement. As stated above, Falls Water Company, Inc. is an Idaho not-for-profit corporation and is therefore not authorized to make any distributions of profits to owners, but can utilize profits for expansion and system improvements.

Applicant last made application for a rate increase on July 17, 2003.

Included with the application are the following attachments, schedules, and proposed tariffs:

1. Present Rate Schedules (Attachment A).
2. Proposed Rate Schedules (Attachment B).
3. Notification sent to media and customers (Attachment C).
4. Three year Balance Sheet (Attachment D).
5. Three years Income Statement (Attachment E).
6. Calculation of Rate Base (Attachment F).
7. Comparison of Income at Present Rates and Income at Proposed Rates (Attachment G with supporting exhibits).
8. Explanation of Rate Calculations (Attachment H).
9. Map of Planned Metering of Mobile Home Estates (Attachment I).

Falls Water Company, Inc. respectfully requests favorable consideration of this application. Please direct any questions or correspondence related to this application to the applicant as indicated on page 1.

Dated this 3rd day of November 2005.

Respectfully submitted,

FALLS WATER COMPANY, INC.

A handwritten signature in cursive script, reading "Kelly D. Howell", written over a horizontal line.

Kelly D. Howell, President

Tariff No. 1	
P.U.C.I. No. Canceling P.U.C.I. No.	Original Sheet No.
Name of Utility	
FALLS WATER COMPANY, INC.	
<p>SCHEDULE NO. R-3</p> <p>RESIDENTIAL MULTI-FAMILY</p> <p>RATE: \$11.50 PER MONTH MINIMUM</p> <p>\$0.41 PER THOUSAND GALLONS ADDITIONAL FOR ALL WATER USED IN EXCESS OF 20,000 GALLONS PER MONTH</p> <p>AVAILABLE TO RESIDENTIAL DUPLEXES, FOUR-PLEXES, AND APARTMENT BUILDINGS WHERE INDIVIDUAL UNITS IN A BUILDING ARE NOT METERED SEPARATELY OR LIVING UNITS CANNOT BE SOLD SEPARATELY. RATES WILL BE BASED ON A PER BUILDING METERED BASIS.</p>	
Issued December 15, 2003	Effective December 15, 2003
Issued by FALLS WATER COMPANY, INC.	
By _____	Title MANAGER
K. Scott Bruce	

Tariff No. 1	
P.U.C.I. No. Canceling P.U.C.I. No.	Original Sheet No.
Name of Utility	
FALLS WATER COMPANY, INC.	
<p>SCHEDULE NO. C-2</p> <p>METERED COMMERCIAL SERVICE READ YEAR-ROUND</p> <p>RATE: \$11.50 PER MONTH MINIMUM</p> <p> \$0.41 PER THOUSAND GALLONS ADDITIONAL FOR ALL WATER USED IN EXCESS OF 20,000 GALLONS PER MONTH</p> <p>AVAILABLE TO ALL NON-RESIDENTIAL CUSTOMERS.</p>	
Issued December 15, 2003	Effective December 15, 2003
Issued by FALLS WATER COMPANY, INC.	
By _____	Title MANAGER
K. Scott Bruce	

Tariff No. 1													
P.U.C.I. No. Canceling P.U.C.I. No.	Original Sheet No.												
Name of Utility													
FALLS WATER COMPANY, INC.													
<p>SCHEDULE NO. M</p> <p>NON-RECURRING CHARGES:</p> <p>RE-CONNECT FEES:</p> <table><tr><td>During office hours</td><td>\$20.00</td></tr><tr><td>After office hours</td><td>\$40.00</td></tr></table> <p>HOOKUP CHARGES:</p> <table><tr><td>3/4" METER</td><td>\$500.00</td></tr><tr><td>1" METER</td><td>\$600.00</td></tr><tr><td>1 1/2" METER</td><td>\$825.00</td></tr><tr><td>2" METER</td><td>\$900.00</td></tr></table> <p>The Company shall follow the "Rules and Regulations of the Idaho Public Utilities Commission Governing Customer Relations of Natural Gas, Electric and Water Public Utilities under the Jurisdiction of the Idaho Public Utilities Commission."</p>		During office hours	\$20.00	After office hours	\$40.00	3/4" METER	\$500.00	1" METER	\$600.00	1 1/2" METER	\$825.00	2" METER	\$900.00
During office hours	\$20.00												
After office hours	\$40.00												
3/4" METER	\$500.00												
1" METER	\$600.00												
1 1/2" METER	\$825.00												
2" METER	\$900.00												
Issued November 30, 2001	Effective December 1, 2001												
Issued by FALLS WATER COMPANY, INC.													
By _____	Title MANAGER												
K. Scott Bruce													

Tariff No. 2 P.U.C.I. No. Canceling P.U.C.I. No. Original Sheet No.	
Name of Utility FALLS WATER COMPANY, INC.	
<p style="text-align: center;">SCHEDULE NO. R-2</p> <p style="text-align: center;">RESIDENTIAL FLAT RATE SERVICE</p> <p style="text-align: center;">RATE: \$47.50 <u>\$19.25</u> PER MONTH</p> <p style="text-align: center;"><u>AVAILABLE TO ALL RESIDENTIAL CUSTOMERS WITHOUT METERS LOCATED IN THE SW1/4 OF SECTION 14, T. 2 N., R. 38 E.B.M., BONNEVILLE COUNTY, IDAHO (MOBILE HOME ESTATES SUBDIVISION, MONTE VISTA ESTATES, AND FIRST STREET MOBILE PARK). Planned metering of this area will move customers to the Schedule No. R-1 Residential Metered tariff as meters are installed for the homes.</u></p>	
Issued	Effective
Issued by FALLS WATER COMPANY, INC. By _____ Title MANAGER K. Scott Bruce	

Tariff No. 3 P.U.C.I. No. Canceling P.U.C.I. No. Original Sheet No.	
Name of Utility FALLS WATER COMPANY, INC.	
<p>SCHEDULE NO. R-3</p> <p>RESIDENTIAL MULTI-FAMILY</p> <p>RATE: <u>\$11.50 PER MONTH MINIMUM \$12.75 PER BILLING CYCLE MINIMUM CHARGE \$0.41 \$0.85 PER THOUSAND GALLONS ADDITIONAL FOR ALL WATER USED IN EXCESS OF 20,000 8,000 GALLONS PER MONTH BILLING CYCLE.</u></p> <p><u>METERS ARE READ YEAR ROUND.</u></p> <p>AVAILABLE TO RESIDENTIAL DUPLEXES, FOUR-PLEXES, AND APARTMENT BUILDINGS WHERE INDIVIDUAL UNITS IN A BUILDING ARE NOT METERED SEPARATELY OR LIVING UNITS CANNOT BE SOLD SEPARATELY. RATES WILL BE BASED ON A PER BUILDING METERED BASIS.</p>	
Issued	Effective
Issued by FALLS WATER COMPANY, INC. By _____ Title MANAGER K. Scott Bruce	

Tariff No. 4	
P.U.C.I. No. Canceling P.U.C.I. No.	Original Sheet No.
Name of Utility	
FALLS WATER COMPANY, INC.	
<p>SCHEDULE NO. C-2</p> <p>METERED COMMERCIAL SERVICE READ YEAR-ROUND</p> <p>RATE: <u>\$11.50 PER MONTH MINIMUM \$12.75 PER BILLING</u> <u>CYCLE MINIMUM CHARGE \$0.41 \$0.85 PER THOUSAND</u> <u>GALLONS ADDITIONAL FOR ALL WATER USED IN</u> <u>EXCESS OF 20,000 8,000 GALLONS PER MONTH</u> <u>BILLING CYCLE.</u></p> <p>AVAILABLE TO ALL NON-RESIDENTIAL CUSTOMERS.</p>	
Issued	Effective
Issued by FALLS WATER COMPANY, INC. By _____ Title MANAGER K. Scott Bruce	

Tariff No. 5	
P.U.C.I. No. Canceling P.U.C.I. No.	Original Sheet No.
Name of Utility	
FALLS WATER COMPANY, INC.	
<p><u>SCHEDULE NO. R - 4</u></p> <p><u>METERED RESIDENTIAL SERVICES WITH SECONDARY IRRIGATION FOR LAWNS AND LANDSCAPING</u></p> <p><u>RATE:</u> <u>\$12.75 PER BILLING CYCLE MINIMUM CHARGE</u> <u>\$2.50 PER THOUSAND GALLONS ADDITIONAL FOR</u> <u>ALL WATER USED IN EXCESS OF 8,000 GALLONS PER</u> <u>BILLING CYCLE.</u></p> <p><u>METERED RESIDENTIAL CUSTOMERS WHO LIVE IN SUBDIVISIONS WHICH WERE ALLOWED TO CONNECT TO FALLS WATER COMPANY, INC.'S SYSTEM WITH THE PROVISION FALLS WATER COMPANY WOULD PROVIDE ONLY IN-HOUSE USE AND THAT ALL LAWNS AND LANDSCAPING MUST BE WATERED BY A WATER SOURCE OTHER THAN FALLS WATER COMPANY, INC.'S WATER SOURCE.</u></p>	
Issued	Effective
Issued by FALLS WATER COMPANY, INC. By _____ Title MANAGER K. Scott Bruce	

Tariff No. 6	
P.U.C.I. No. Canceling P.U.C.I. No.	Original Sheet No.
Name of Utility	
FALLS WATER COMPANY, INC.	

SCHEDULE NO. M

NON-RECURRING CHARGES:

RE-CONNECT FEES:

During office hours	\$ 20.00
After office hours	\$ 40.00

FIELD COLLECTION FEE:

<u>Field collection of past due balance</u>	<u>\$ 15.00</u>
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HOOKUP CHARGES:

¾" Meter	\$500.00
1" Meter	\$600.00
1 ½" Meter	\$825.00
2" Meter	\$900.00

The Company shall follow the "Rules and Regulations of the Idaho Public Utilities Commission Governing Customer Relations of Natural Gas, Electric and Water Public Utilities Under the Jurisdiction of the Idaho Public Utilities Commission."

Issued	Effective
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Issued by FALLS WATER COMPANY, INC.
By _____ Title MANAGER
K. Scott Bruce

NOTICE TO FALLS WATER COMPANY, INC. CUSTOMERS

Falls Water Company, Inc. has filed an application with the Idaho Public Utilities Commission (IPUC) for a proposed general rate increase. The filing is a proposal, subject to public review and a Commission decision before it can take effect.

Falls Water Company, Inc. seeks approval to increase rates to recover the increasing costs of operations and maintenance, and replacing its aging infrastructure.

Falls Water is seeking a reduction in water volume included in the minimum billing charge. Currently, up to 20,000 gallons of water is included in the minimum charge. It is proposed to create a summer and winter rate schedule for metered residential customers (metered multi-family residential and metered commercial users meters are read year round). It is proposed for the winter rate that up to 15,000 gallons per billing cycle (90,000 for the six month winter rate schedule) be included in the minimum charge of \$15.50. It is proposed that during the summer rate that up to 8,000 gallons per billing cycle be included in the minimum charge of \$12.75.

If the proposed rate increase were approved, the average metered residential customer's annual rates would increase from \$179.49 (\$14.96 per month) to \$295.55 (\$24.63 per month) an average annual increase of \$116.06 (average monthly increase of \$9.67) or 64.7%. Average metered commercial customer's annual rates would increase from \$323.46 (\$26.96 per month) to \$569.75 (\$47.48 per month) an average annual increase of \$246.29 (average monthly increase of \$20.52) or 76.1%. Non-metered residential customer's annual rates would increase from \$210.00 (\$17.50 per month) to \$231.00 (\$19.25 per month) an annual increase of \$21.00 (monthly increase of \$1.75) or 10.0%. Multi-family residential customer's rates would increase from \$181.64 (\$15.14 per month) to \$344.82 (\$28.73 per month) an average annual increase of \$163.18 (average monthly increase of \$13.59) or 89.8%.

If approved the proposed increase would increase total revenues by \$258,363.71 (48.2%). A copy of the application is on file in our office for examination. Please send any comments or questions to either Falls Water Company or the Idaho Public Utilities Commission:

Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074
(800) 432-0369

Falls Water Company, Inc.
1770 Sabin Dr
Idaho Falls, ID 83406
(208) 522-1300

Comments may be submitted to the Idaho Public Utilities Commission via e-mail by going to the following website:

<http://www.puc.state.id.us/comments-complaints/choose%20form.htm>

Falls Water Company, Inc
Balance Sheet Comparison
As of December 31, 2003, 2004, and 2005

	<u>Dec 31, 2003</u>	<u>Dec 31, 2004</u>	<u>Dec 31, 2005</u>
ASSETS			
Current Assets			
Checking/Savings			
129 · FWC-BofCommerce	-38,983.73	470.87	22,354.14
Total Checking/Savings	-38,983.73	470.87	22,354.14
Accounts Receivable			
139 · Misc Non-Utilities A/R	0.00	69.69	0.00
Total Accounts Receivable	0.00	69.69	0.00
Other Current Assets			
129.1 · FWC Capital Improvement Fund	64,800.00	100,657.26	276,284.22
129.2 · Cash-Water Study Partners			
129.21 · Cash-Water Study Partners-Ammon	0.00	14,300.68	0.00
129.22 · Cash-Water Study-Bonneville Cty	0.00	4,357.89	0.00
129.23 · Cash-Water Study Partners-Ucon	10,000.00	7,784.93	0.00
Total 129.2 · Cash-Water Study Partners	10,000.00	26,443.50	0.00
132 · Undeposited Funds	597.32	(967.62)	2,184.01
140 · Accts Receivable			
141 · Cust Accts Receivable	34,082.36	40,545.22	59,141.70
143 · Uncollectable Allowance	(1,300.00)	(1,300.00)	(1,300.00)
Total 140 · Accts Receivable	32,782.36	39,245.22	57,841.70
Total Other Current Assets	108,179.68	165,378.36	336,309.93
Total Current Assets	69,195.95	165,918.92	358,664.07
Fixed Assets			
101 · Utility Plant			
303 · Land & Land Rights	3,328.58	3,328.58	3,328.58
304 · Structures and Improvements	8,707.15	8,707.15	8,707.15
307 · Wells	52,805.40	55,545.48	61,947.25
310 · Generators	16,693.04	16,693.04	16,693.04
311 · Pumping Equipment	195,807.45	202,682.74	202,682.74
320 · Purification System	15,865.23	15,603.31	22,219.21
330 · Tanks	494.35	494.35	494.35
331 · Water Mains	154,392.29	435,054.68	472,073.48
334 · Meters	173,351.35	223,712.79	304,637.10
335 · Hydrants	0.00	0.00	5,416.38
340 · Office Furn & Fixt	9,182.23	8,474.11	15,556.83
341 · Transportation Equipment	28,703.23	27,109.95	31,878.95
343 · Tools & Equipment	13,629.97	13,327.61	19,134.62
Total 101 · Utility Plant	672,960.27	1,010,733.79	1,164,769.68
108 · Plant Depreciation	-346,313.61	-362,439.37	(417,930.65)
Total Fixed Assets	326,646.66	648,294.42	746,839.03
TOTAL ASSETS	<u>395,842.61</u>	<u>814,213.34</u>	<u>1,105,503.10</u>

Falls Water Company, Inc
Balance Sheet Comparison
as of December 31, 2003, 2004, and 2005

	<u>Dec 31, 2003</u>	<u>Dec 31, 2004</u>	<u>Dec 31, 2005</u>
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable			
232 · Accts Payable	60,956.20	233,164.90	35,141.70
Total Accounts Payable	<u>60,956.20</u>	<u>233,164.90</u>	<u>35,141.70</u>
Other Current Liabilities			
231 · FWC Accounts Payable			
231.8 · Payable on Summit Park	0.00	0.00	0.00
231.9 · Crimson Valley Water Main	0.00	0.00	0.00
231.10 · Group Water Study Payable			
231.11 · Group Water Study - Ammon	-588.50	14,300.68	0.00
231.12 · Group Water Study - Bonneville	0.00	4,357.89	0.00
231.13 · Group Water Study - Ucon	9,411.50	7,784.93	0.00
231.14 · Group Water Study - Grant Funds	-2,853.50	-464.50	0.00
Total 231.10 · Group Water Study Payable	<u>5,969.50</u>	<u>25,979.00</u>	<u>0.00</u>
Total 231 · FWC Accounts Payable	5,969.50	25,979.00	0.00
233 · A/P to Associated Companies	11,076.98	14,951.34	20,673.47
236 · Taxes Payable			
236.2 · State Tax Payable	0.00	4,054.00	0.00
236.3 · Other Taxes Payable	0.00	0.00	0.00
Total 236 · Taxes Payable	<u>0.00</u>	<u>4,054.00</u>	<u>0.00</u>
Total Other Current Liabilities	<u>17,046.48</u>	<u>44,984.34</u>	<u>20,673.47</u>
Total Current Liabilities	78,002.68	278,149.24	55,815.17
Long Term Liabilities			
223 · Advances from Associated Co.	121,164.24	115,966.20	105,381.24
224 · Long-Term Debt			
224.1 · Lincoln Road Proj - SRLF Loan	0.00	77,232.00	259,363.49
Total 224 · Long-Term Debt	0.00	77,232.00	259,363.49
271 · Contrib. in Aid of Construction	139,225.55	208,875.36	557,003.61
272 · Accum Amort - Contrib Aid Const	(2,118.27)	(5,826.60)	(16,943.92)
Total Long Term Liabilities	<u>258,271.52</u>	<u>396,246.96</u>	<u>904,804.42</u>
Total Liabilities	336,274.20	674,396.20	960,619.59
Equity			
201 · Capital Stock	25,000.00	25,000.00	25,000.00
215 · Retained Earnings	53,641.64	49,064.43	114,817.14
Net Income	-19,073.23	65,752.71	5,066.37
Total Equity	<u>59,568.41</u>	<u>139,817.14</u>	<u>144,883.51</u>
TOTAL LIABILITIES & EQUITY	<u><u>395,842.61</u></u>	<u><u>814,213.34</u></u>	<u><u>1,105,503.10</u></u>

FALLS WATER COMPANY, INC.
Comparative Income Statement
for the calendar years of 2003, 2004, 2005

	<u>Jan - Dec 2003</u>	<u>Jan - Dec 2004</u>	<u>Jan - Dec 2005</u>
Ordinary Income/Expense			
Income			
400 · Operating Revenue			
460 · Unmetered Revenue	104,379.08	121,545.09	124,145.00
461.1 · Metered Residential	255,261.03	316,283.43	397,650.79
461.2 · Commercial Revenue	11,138.83	12,616.81	13,531.78
474 · Other Utility Revenue	840.00	818.00	636.50
Total 400 · Operating Revenue	<u>371,618.94</u>	<u>451,263.33</u>	<u>535,964.07</u>
Total Income	371,618.94	451,263.33	535,964.07
Expense			
601.5 · Labor Field	63,910.64	76,432.22	97,575.20
601.7 · Labor Meter Reading	5,627.52	7,303.88	7,449.12
601.8 · Labor Office	14,424.33	25,870.78	38,450.13
601.9 · Admin - Labor	53,937.40	55,417.54	58,287.60
603 - Salary Officers & Directors	8,565.00	6,877.00	13,824.00
604 - Employee Benefits	5,625.00	10,800.00	13,406.25
610 · Purchased Water	1,112.00	1,112.00	1,112.00
615 · Electrical Power	92,837.66	78,233.94	78,674.54
618 · Chemicals	0.00	0.00	375.51
620.2 · Source M&S	2,321.32	4,210.63	4,090.53
620.6 · Distribution M&S	14,043.76	14,214.03	24,496.43
620.7 · Postage	12,430.35	9,624.12	11,055.99
620.8 · Office	4,624.02	15,121.03	11,200.21
620.81 · Telephone Expense	8,002.07	10,724.37	10,779.61
620.83 - Office Utilities Expense	128.61	1,784.62	1,966.43
631.1 · Engineering	4,600.00	5,977.50	3,715.00
631.2 · Accounting	475.00	825.00	1,893.00
631.3 · Attorney	1,375.00	0.00	4,406.25
635 · Testing	4,580.61	5,756.00	3,410.00
636.2 · Source Contract Repairs	501.70	0.00	3,395.39
636.3 · Trash	199.02	211.04	198.16
636.6 · Distribution Contract Repairs	830.00	2,130.00	10,906.40
636.7 · Data Processing	7,680.99	9,043.00	4,878.00
641 · Rental of Property	4,425.00	11,339.00	11,818.00
642 · Rental of Equipment	4,078.40	2,830.73	6,359.70
650 · Transportation Expense	8,609.24	8,700.94	19,521.79
656 · Insurance Expense	5,210.00	8,542.00	9,468.00
660 · Advertising Expense	2,519.25	1,778.82	2,054.36
670 · Bad Debt Expense	4,658.32	5,179.38	5,620.94
675.1 · Training Expenses	590.70	1,210.11	1,800.00
675.2 · Dues & Publications	702.00	772.00	870.00
675.4 · IDHW Fee Expense	7,217.91	7,982.00	10,247.01
675.9 - Uncategorized Expenses	100.00	1,434.41	100.00
Total Expense	<u>345,942.82</u>	<u>391,438.09</u>	<u>473,775.76</u>
Net Ordinary Income	25,676.12	59,825.24	62,188.31

FALLS WATER COMPANY, INC.
Comparative Income Statement
for the calendar years of 2003, 2004, 2005

	<u>Jan - Dec 2003</u>	<u>Jan - Dec 2004</u>	<u>Jan - Dec 2005</u>
Other Income/Expense			
Other Income			
421 · Non-Utility Income	9,951.59	64,059.19	8,625.87
Total Other Income	9,951.59	64,059.19	8,625.87
Other Expense			
403 · Depreciation Expense	28,027.30	35,238.00	44,015.39
408 · Taxes			
408.11 · Property Taxes	3,957.36	4,150.92	4,128.87
409.10 - Fed Income Tax	0.00	0.00	1,782.02
409.11 · State Income Tax	30.00	4,084.00	902.89
Total 408 · Taxes	3,987.36	8,234.92	6,813.79
408.10 · Regulatory Fee	811.65	893.74	1,320.26
426 · Misc. Non-Utility Expenses	5,378.16	5,683.87	1,470.92
427.3 · Interest Expense	8,515.46	7,852.25	12,127.46
615.1 · Electrical Power - Black Hawk	6,268.21	(6.53)	0.00
615.2 · Andco Well - Electricity	551.35	0.00	0.00
620.21 · Source M&S - Black Hawk Estates	374.66	235.47	0.00
620.61 · Black Hawk Distr M&S	710.34	0.00	0.00
620.62 · Andco Distr M&S	0.00	0.00	0.00
620.811 · Telephone - Black Hawk Estates	76.45	0.00	0.00
635.2 · Testing - Andco System	0.00	0.00	0.00
Total Other Expense	54,700.94	58,131.72	65,747.81
Net Other Income	-44,749.35	5,927.47	-57,121.94
Net Income	-19,073.23	65,752.71	5,066.37

Falls Water Company, Inc.
Calculation of Rate Base

Rate Base 2005

Net Assets

Utility Plant in Service	1,164,768.57	
Less: Contributions in Aid of Construction	<u>183,855.42</u>	
Subtotal		980,913.15
Less: Accumulated Depreciation	417,930.65	
Less: Accum Amort of Contribution in Aid of Construction	<u>16,943.92</u>	<u>400,986.73</u>
Total Rate Base from Assets		579,926.42

Working Capital (using 1/8 method)

Total Proposed Operations & Maintenance Expenses	573,290.27	
times 1/8 (.125)	<u>0.125</u>	<u>71,661.28</u>
Total Rate Base		<u><u>651,587.70</u></u>

Return on Rate Base

Return @ 12% (Total Rate Base X .12)

\$ 78,190.52

Falls Water Company, Inc.
Comparison of Current Revenues and Expenses to Proposal

	Jan 1, 2005 - Dec 31, 2005	Adjustments	Proposed	
Ordinary Income/Expense				
Income				
400 · Operating Revenue				
460 · Unmetered Revenue	124,145.00		124,145.00	
461.1 · Metered Residential	397,650.79		397,650.79	
461.2 · Commercial Revenue	13,531.78		13,531.78	
474 · Other Utility Revenue	636.50		636.50	
Total 400 · Operating Revenue	<u>535,964.07</u>		<u>535,964.07</u>	
Total Income	535,964.07		535,964.07	
Expense				
601.5 · Labor Field	97,575.20	40,640.17	138,215.37	See 1 Below
601.7 · Labor Meter Reading	7,449.12	532.08	7,981.20	See 1 Below
601.8 · Labor Office	38,450.13	4,326.49	42,776.62	See 1 Below
601.9 · Admin - Labor	58,287.60	4,080.12	62,367.72	See 1 Below
603 · Salary Officers & Directors	13,824.00	0.00	13,824.00	
604 · Employee Benefits	13,406.25	18,506.32	31,912.57	See 1 Below
610 · Purchased Water	1,112.00	0.00	1,112.00	
615 · Electrical Power	78,674.54	21,134.74	99,809.27	See 2 Below
618 · Chemicals	375.51	2,576.68	2,952.19	See 3 Below
620.2 · Source M&S	4,090.53	0.00	4,090.53	
620.6 · Distribution M&S	24,496.43	0.00	24,496.43	
620.7 · Postage	11,055.99	815.81	11,871.80	See 4 Below
620.8 · Office	11,200.21	543.88	11,744.09	See 5 Below
620.81 · Telephone Expense	10,779.61	339.36	11,118.97	See 6 Below
620.82 · Bank Service Charges	370.22	391.78	762.00	See 7 Below
620.83 · Office Utilities Expense	1,966.43	0.00	1,966.43	
631.1 · Engineering	3,715.00	0.00	3,715.00	
631.2 · Accounting	1,893.00	0.00	1,893.00	
631.3 · Attorney	4,406.25	0.00	4,406.25	
635 · Testing	3,410.00	0.00	3,410.00	
636.2 · Source Contract Repairs	3,395.39	0.00	3,395.39	
636.3 · Trash	198.16	0.00	198.16	
636.6 · Distribution Contract Repairs	10,906.40	0.00	10,906.40	
636.7 · Data Processing	4,878.00	(1,800.00)	3,078.00	See 8 Below
641 · Rental of Property	11,818.00	50.00	11,868.00	See 9 Below
642 · Rental of Equipment	6,359.70	485.76	6,845.46	See 10 Below
650 · Transportation Expense	19,521.79	3,486.44	23,008.23	See 11 Below
656 · Insurance Expense	9,468.00	0.00	9,468.00	
660 · Advertising Expense	2,054.36	0.00	2,054.36	
670 · Bad Debt Expense	5,620.94	2,663.90	8,284.84	See 12 Below
675.1 · Training Expenses	1,800.00	0.00	1,800.00	
675.2 · Dues & Publications	870.00	0.00	870.00	
675.4 · IDHW Fee Expense	10,247.01	740.99	10,988.00	See 13 Below
675.9 · Uncategorized Expenses	100.00	0.00	100.00	
Total Expense	<u>473,775.76</u>		<u>573,290.27</u>	
Net Ordinary Income	62,188.31		-37,326.20	
Other Income/Expense				

Other Income				
421 · Non-Utility Income	8,625.87	0.00	<u>8,625.87</u>	
Total Other Income	8,625.87		8,625.87	
Other Expense				
403 · Depreciation Expense	44,015.39	0.00	44,015.39	
407 · Amortization Expense - Other	0.00	37,833.46	37,833.46	See 14 Below
408.10 · Regulatory Fee	1,320.26	714.81	2,035.07	See 15 Below
426 · Misc. Nonutility Expenses	1,470.92	0.00	1,470.92	
427.3 · Interest Expense	<u>12,127.46</u>	5,327.82	<u>17,455.28</u>	See 16 Below
Total Other Expense	58,934.03		102,810.11	
Net Other Income	<u>-50,308.16</u>		<u>-94,184.24</u>	
Net Income Before Taxes	11,880.15		-131,510.45	
408 · Taxes				
408.11 · Property Taxes	4,128.87	0.00	4,128.87	
409.10 · Fed Income Tax	1,782.02	32,757.05	34,539.08	See 17 Below
409.11 · State Income Tax	<u>902.89</u>	9,091.90	<u>9,994.79</u>	See 18 Below
Total 408 · Taxes	6,813.79		48,662.74	
Net Income After Taxes	<u><u>5,066.37</u></u>		<u><u>-180,173.19</u></u>	

Return on Rate base Requested	78,190.52
Total Increase Requested	258,363.71
Total Revenue Requested	794,327.78
Percentage Increase Requested	48.2%

Notes:

- 1) See Exhibit 'A' - Adjustment Calculations for Proposed 2006 Payroll and Benefits
- 2) See Exhibit 'H' - Electrical Usage Worksheet for Details
- 3) See Exhibit 'B' - Chemicals
- 4) See Exhibit 'C' - Item 2 - Postage Adjustments
- 5) See Exhibit 'C' - Item 1 - Printing & Material Adjustments for New Customers
- 6) See Exhibit 'C' - Item 4 - Phone Expense
- 7) See Exhibit 'C' - Item 7 - Bank Charges
- 8) See Exhibit 'C' - Item 5 - Data Processing Adjustment
- 9) See Exhibit 'C' - Item 6 - Property Rental
- 10) See Exhibit 'D' - Equipment Rental Adjustment
- 11) See Exhibit 'E' - Transportation Expense Adjustment
- 12) See Exhibit 'C' - Item 8 - Bad Debt Expense
- 13) Maximum Charge for the DEQ fee for systems with more that 2,747 connections
- 14) See Exhibit 'F' - Amortized Expense Request
- 15) IPUC regulatory fee based on requested total revenue multiplied by the 2005 rate of .002562 set by the IPUC
- 16) See Exhibit 'C' - Item 3 - Interest Expense
- 17) See Exhibit 'G' - Item 2 - Federal Income Taxes
- 18) See Exhibit 'G' - Item 3 - Idaho State Income Taxes

Adjustment Calculations for proposed 2006 Payroll and Benefits:

Calculation for 4th Quarter 2005 Payroll:

	<u>Oct-05</u>	<u>Nov-05</u>	<u>Dec-05</u>	<u>Total 4th Qtr</u>	<u>Totals by Group</u>
Office Staff	\$ 2,415.41	\$ 2,923.92	\$ 2,415.41	\$ 7,754.75	
Office Staff	\$ 1,479.30	\$ 1,849.12	\$ 1,479.30	\$ 4,807.71	12,562.46
Field Labor	\$ 1,625.80	\$ 1,625.80	\$ 1,625.80	\$ 4,877.40	
Field Labor	\$ 2,648.58	\$ 3,310.72	\$ 2,648.58	\$ 8,607.87	
Field Labor	\$ 4,119.48	\$ 4,119.48	\$ 4,119.48	\$12,358.44	25,843.72
Administration	\$ 4,857.30	\$ 4,857.30	\$ 4,857.30	\$14,571.90	14,571.90
Meter Reader	\$ 827.68	\$ 827.68	\$ 827.68	\$ 2,483.04	2,483.04
Directors	\$ 1,152.00	\$ 1,152.00	\$ 1,152.00	\$ 3,456.00	3,456.00
Empl Bene	\$ 1,218.75	\$ 1,218.75	\$ 1,218.75	\$ 3,656.25	3,656.25
Total	\$20,344.30	\$ 21,884.77	\$ 20,344.30	\$62,573.36	

Calculation for 2006 Payroll:

Calculation of 2006 Payroll using 2005 Year end Wage rates:

<u>Employee</u>	<u>Pay Rates</u>	<u>Hours</u>	<u>Annual Gross Payroll</u>	<u>% for Employer Payroll Tax & Workers Comp</u>	<u>Annual Total Payroll</u>
Office Staff	12.90	2080	\$ 26,832.00	1.1557	\$ 31,009.74
Office Staff	8.00	2080	\$ 16,640.00	1.1557	\$ 19,230.85
Field Labor	15.87	2080	\$ 33,009.60	1.1824	\$ 39,030.55
Field Labor	14.00	2080	\$ 29,120.00	1.1824	\$ 34,431.49
Field Labor	3,484.00	12	\$ 41,808.00	1.1824	\$ 49,433.78
Administration	4,108.00	12	\$ 49,296.00	1.1824	\$ 58,287.60
Meter Reader	700.00	9	\$ 6,300.00	1.1824	\$ 7,449.12
Director	500.00	12	\$ 6,000.00	1.1520	\$ 6,912.00
Director	500.00	12	\$ 6,000.00	1.1520	\$ 6,912.00

Attachment G – Falls Water Company, Inc.

Exhibit A of Attachment G

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Annual Employee 401k Benefit effective January 2006 using 2005 wage rate:

401k	Employee Contribution Percent	Employer Contribution Percent	Employer Contribution Amount
Office Staff	5%	4%	\$ 1,073.28
Field Labor	5%	4%	\$ 1,320.38
Field Labor	5%	4%	\$ 1,164.80
Field Labor	5%	4%	\$ 1,672.32
Administration	5%	4%	\$ 1,971.84
Total Employer Contribution 401k			<u>\$ 7,202.62</u>

Health Insurance increase:

	2005 Monthly Company Portion of Ins.	2005 Annual Company Portion of Ins.	2006 Monthly Company Portion of Ins.	2006 Annual Company Portion of Ins.
Field Labor	325.00	\$ 3,900.00	500.00	\$ 6,000.00
Field Labor	325.00	\$ 3,900.00	500.00	\$ 6,000.00
Field Labor	325.00	\$ 3,900.00	500.00	\$ 6,000.00
Administration	325.00	\$ 3,900.00	500.00	\$ 6,000.00
Total		<u>\$ 15,600.00</u>		<u>\$24,000.00</u>

2006 Payroll Totals using 2005 wage rates:

Office Lbr	\$ 50,240.59
Field Lbr	\$122,895.82
Admin Lbr	\$ 58,287.60
Meter Reader	\$ 7,449.12
Directors	\$ 13,824.00
Employee Benefits	\$ 22,802.62

Calculations to adjust 2006 Payroll to include pay raises at beginning of 2006:History of Employee wages 2000 through 2005 with proposed wage increases in 2006 & 2007:

Employees	Hire Date	Wage Rate				
		2000	2001	2002	2003	2004
Office Staff	5/31/2005	-	-	-	-	-
Field Labor	5/10/2005	-	-	-	-	-
Office Staff	1/5/2004	-	-	-	-	9.50
Field Labor	4/21/2003	-	-	-	11.00	12.50
Meter Reader	7/10/2000	500.00	500.00	500.00	600.00	600.00
Administrative	5/3/1999	3,166.67	3,500.00	3,666.67	3,850.00	3,950.00
Field Labor	3/4/1988	2,426.67	2,600.00	3,200.00	3,250.00	3,350.00

Employees	2005	2006	2006	2007
			Proposed Wage Rate % Increase	Proposed Wage Rate % Increase
Office Staff	8.00	8.50	6.25%	9.00 5.88%
Field Labor	19.04	19.99	5.00%	20.99 5.00%
Office Staff	12.90	13.55	5.00%	14.22 5.00%
Field Labor	14.00	14.70	5.00%	17.44 18.61%
Meter Reader	700.00	750.00	7.14%	800.00 6.67%
Administrative	4,108.00	4,395.56	7.00%	4,703.25 7.00%
Field Labor	3,484.00	3,727.88	7.00%	3,988.83 7.00%

Analysis of Annual wage increase in 2001 through 2005:

Employees	2001	2002	2003	2004	2005	Avg Annual % Increase
Office Staff	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Field Labor	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Office Staff	0.00%	0.00%	0.00%	0.00%	35.79%	17.89%
Field Labor	0.00%	0.00%	0.00%	13.64%	12.00%	8.55%
Meter Reader	0.00%	0.00%	20.00%	0.00%	16.67%	7.33%
Administrative	10.53%	4.76%	5.00%	2.60%	4.00%	5.38%
Field Labor	7.14%	23.08%	1.56%	3.08%	4.00%	7.77%
CPI* Annual % Increases	3.70%	1.90%	2.10%	2.30%	2.84%	2.57%

* Consumer Price Index

Attachment G – Falls Water Company, Inc.

Exhibit A of Attachment G

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Gross Annual Employee's Wages without Employer Payroll Expenses:

Employees	Annualized 2006 Payroll	Annualized 2007 Payroll
Office Staff	8,840.00	9,360.00
Field Labor	41,583.36	43,662.53
Office Staff	28,173.60	29,582.28
Field Labor	30,576.00	36,264.80
Meter Reader	6,750.00	7,200.00
Administrative	52,746.72	56,438.99
Field Labor	44,734.56	47,865.98

Increase in Health Insurance & 401k program with Company Funds Matching Effective in 2006:

Employee Benefits	2006	2007
Health Insurance for 4 employees @ \$500.00/mo	24,000.00	24,000.00
401k for 5 employees	7,912.57	8,552.58
Annual Employee Benefits	<u>\$ 31,912.57</u>	<u>\$ 32,552.58</u>

Total Payroll Costs including Employer Taxes & Workers Comp Insurance:

	2006	2007
Field Lbr	\$138,215.37	\$151,102.81
Meter Reader Lbr	\$ 7,981.20	\$ 8,513.28
Office Lbr	\$ 42,776.62	\$ 45,005.59
Admin Lbr	\$ 62,367.72	\$ 66,733.46
Directors Salary	\$ 13,824.00	\$ 13,824.00
Employee Benefits	\$ 31,912.57	\$ 32,552.58
Totals	<u>\$297,077.48</u>	<u>\$317,731.72</u>

Costs to Chlorinate Water:

In July and August of 2005, Falls Water Company, Inc.'s coliform water samples showed positive presence of coliform. The decision was made to begin a voluntary chlorination treatment of our system. The chlorination pumps were purchased in October 2005 and treatment is expected to begin in late October or early November 2005. The treatment will be a continuous year round process. Chlorine pumps will be installed at Wells #1, #2, #4, #5, #8. All other wells will continue to distribute untreated water when used. The chlorination system pumps will pump a 12% bleach (CL2) solution at 0.25 ppm. The 12% bleach solution has a cost of \$105.17 per 50-gallon barrel including Idaho sales tax. A \$60.00 energy surcharge per delivery is assessed. We would order 6 times per year for annual delivery charges total of \$360.00.

	Annual Production	Pump Flow GPM	Hours	12% Bleach	Total Annual
			to Pump Annual Production	Feed per Hour (gph)	12% Bleach Consumption
Well #1	121,447,000	500	4048.23	0.062	251
Well #2	131,438,000	500	4381.27	0.062	272
Well #3	6,161,000				
Well #4	47,084,000	1500	523.16	0.187	98
Well #5	166,125,000	800	3460.94	0.100	346
Pump #6	250,721,000				
Pump #7	45,730,000				
Well #8	6,558,000	1500	72.87	0.187	14
	<u>775,264,000</u>		Total Gallons/Year		980
			Gallons per Barrel		50
			Total # of Barrels/Year		20
			Cost per Barrel		\$105.17
			Annual Cost		\$2,103.40
			Annual Delivery Charges		\$360.00
			Annual Total Costs		<u>\$2,463.40</u>
2001 Total Customers		1967			
Cost per customer	\$	1.25			
Avg Water Usage/Customer/Year			394,135		

Attachment G – Falls Water Company, Inc.

Exhibit B of Attachment G

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2002

	Annual Production	Pump Flow GPM	Hours to Pump Annual Production	12% Bleach Feed per Hour (gph)	Total Annual 12% Bleach Consumption	
Well #1	138,179,000	500	4605.97	0.062	286	
Well #2	75,474,000	500	2515.80	0.062	156	
Well #3	25,414,000					
Well #4	57,315,000	1500	636.83	0.187	119	
Well #5	215,828,000	800	4496.42	0.100	450	
Pump #6	102,042,000					
Pump #7	118,226,000					
Well #8	8,407,000	1500	93.41	0.187	17	
	<u>740,885,000</u>		Total Gallons/Year		1,028	
			Gallons per Barrel		50	
			Total # of Barrels/Year		21	
			Cost per Barrel		\$105.17	
			Annual Cost			\$2,208.57
			Annual Delivery Charges			\$360.00
			Annual Total Costs			<u>\$2,568.57</u>
2002 Total Customers		2006				
Cost per customer		\$ 1.28				
Avg Water Usage/Customer/Year			369,334			

2003

	Annual Production	Pump Flow GPM	Hours to Pump Annual Production	12% Bleach Feed per Hour (gph)	Total Annual 12% Bleach Consumption	
Well #1	31,218,000	500	1040.60	0.062	65	
Well #2	76,880,000	500	2562.67	0.062	159	
Well #3	30,976,000					
Well #4	192,962,000	1500	2144.02	0.187	401	
Well #5	285,608,000	800	5950.17	0.100	595	
Pump #6	188,522,000					
Pump #7	25,581,000					
Well #8	97,044,000	1500	1078.27	0.187	202	
	<u>928,791,000</u>		Total Gallons/Year		1,421	
			Gallons per Barrel		50	
			Total # of Barrels/Year		28	
			Cost per Barrel		\$105.17	
			Annual Cost			\$2,944.76
			Annual Delivery Charges			\$360.00
			Annual Total Costs			<u>\$3,304.76</u>
2003 Total Customers		2196				
Cost per customer		\$ 1.50				
Avg Water Usage/Customer/Year			422,947			

Attachment G – Falls Water Company, Inc.

Exhibit B of Attachment G

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2004

	Annual Production	Pump Flow GPM	Hours to Pump Annual Production	12% Bleach Feed per Hour (gph)	Total Annual 12% Bleach Consumption in Gallons
Well #1	74,575,000	500	2485.83	0.062	154
Well #2	97,346,000	500	3244.87	0.062	201
Well #3	-				
Well #4	88,237,000	1500	980.41	0.187	183
Well #5	235,846,000	800	4913.46	0.100	491
Pump #6	185,053,000				
Pump #7	106,462,000				
Well #8	2,043,000	1500	22.70	0.187	4
	<u>789,562,000</u>		Total Gallons/Year		1,034
			Gallons per Barrel		50
			Total # of Barrels/Year		21
			Cost per Barrel		\$105.17
			Annual Cost		\$2,208.57
			Annual Delivery Charges		\$360.00
			Annual Total Costs		<u>\$2,568.57</u>

2004 Total Customers	2464
Cost per customer	\$ 1.04
Avg Water Usage/Customer/Year	320,439

2005 Customers	2004 Avg Cost per Customer	Estimated 2005 Costs
2832	\$ 1.04	\$ 2,952.19

Estimated Cost of Chlorine in November and December 2005:

Well #5 will run 24/7

Well #2 will run to meet peak demands - approx 4 hours per day

	Pump Flow GPM	61 days of Production	Hours Pumps will Run	12% Bleach Feed per Hour (gph)	Total Annual 12% Bleach Consumption in Gallons
Well #2	500	7,320,000	244	0.062	15
Well #5	800	70,272,000	1464	0.100	146
					161
			Gallons per Barrel		50
			Total # of Barrels		3
			Cost per Barrel		\$105.17
			Nov - Dec 2005 Cost		\$315.51
			Delivery Charge		\$60.00
			Total Costs		<u>\$375.51</u>

Adjustment Calculations for Miscellaneous Expenses:

Item 1 - Printing and Material for New Customer Billings Annualized:

Total New Connections 2005: 356
 Adjust total new connections to reflect addition of connections during 2005: 178

	Statements	Window #10 Envelopes	#9 Reply Envelopes	Annual CCR's & Spouts	Total Costs for Supplies
Number of Units Needed	2136	2136	2136	356	
Cost per Unit	0.014	0.026	0.040	0.035	
Material Costs	29.90	55.54	85.44	12.46	183.34
Printing Cost per Unit	0.05	0.00	0.00	0.10	
Printing Costs	106.80	0.00	0.00	35.60	142.40
*Misc Services for Mailings	0.075	0.000	0.000	0.090	
Total Misc Service Costs	160.20	0.00	0.00	32.04	192.24
					517.98
				ID Sales Tax (5%)	25.90
				Adjustment for Billing Materials for New Customers	25.90

*Miscellaneous services include statement folding & inserting, postage metering & sorting.

Item 2 - Postage Costs for New Customers Annualized:

Postage @ bulk rate for Billings	2136	0.278 \$	593.81
Postage for New Customer** Mailings for existing homes: Using number of new customers from 1/1/05 - 10/18/05	600	0.37 \$	222.00
			\$ 815.81

**New customers are defined as customers moving into a new or existing home within Falls Water Company's service area.

Item 3 - Interest Expense:

	2005	2006
FPG LOAN	6,781.83	6,361.41
VAN LOAN	221.22	-
TRUCK LOAN	668.61	411.98
DEQ SRLP	4,458.60	8,675.89
	\$14,135.26	\$17,455.28

Attachment G – Falls Water Company, Inc.

Exhibit C of Attachment G

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Item 4 - Phone Expense:

Dan's Cell Phone billed by Frontier Property Group @ \$39.15 per month. 2005 telephone expense includes charges for July - December 2005. Adjust to include January - June charges to annualize:

	Months	Rate	Total
Jan - June	6	\$ 39.15	\$ 234.90

Rate increase for Digline booked to phone expense (tickets are faxed to our office):

	Old Rate	New Rate	Annual Charges under Old Rate	Annual Charges under New Rate	Difference
Monthly Contract	\$ 47.50	\$ 52.80	\$ 570.00	\$ 633.60	\$ 63.60
Credit for Free Locates	\$ (50.40)	\$ (52.80)	\$ (604.80)	\$ (633.60)	\$ (28.80)
Total # of annual Locates	1,161.00	\$ 1.32	\$ 1,462.86	\$ 1,532.52	\$ 69.66
			<u>\$ 1,428.06</u>	<u>\$ 1,532.52</u>	<u>\$ 104.46</u>

Total Adjustment for Telephone Expense:

Dan's Cell Phone	\$ 234.90
Digline	\$ 104.46
	<u>\$ 339.36</u>

Item 5 - Data Processing Adjustment:

Lease agreement for computers and software from parent company completed April 2005:

Remove 2005 Data Processing exp Jan - Apr 2005 pmts of \$500.00 per month	\$(2,000.00)
Increase in annual software maintenance for Sensus Auto Read software	\$ 200.00
Net adjustment to Data Processing	<u>\$(1,800.00)</u>

Item 6 - Rental of Property:

	Pmt Amt	# of Pmts	Total
Office at 1770 Sabin Dr	\$ 864.00	12	\$10,368.00
2006 lease pmt to Evans Grain	\$ 1,500.00	1	\$ 1,500.00
Total			<u>\$11,868.00</u>

Item 7 - Bank Service Charges:

Estimating average of \$2,500.00 per month of credit card receipts:

		<u>Monthly</u>	<u>Annual</u>
Statement Charge	\$	7.50	\$ 90.00
Disc Rate	2.24% \$	56.00	<u>\$ 672.00</u>
Total			<u><u>\$ 762.00</u></u>

Item 8 - Bad Debt Expense:

	<u>Actual Bad</u>	<u>Annual Gross</u>	<u>Bad Debt</u>	
	<u>Debt Expense</u>	<u>Revenues</u>	<u>as a % of</u>	
			<u>Gross Rev.</u>	
2002	4619.16	340557.45	1.356%	
2003	4658.32	371618.94	1.254%	0.103%
2004	5179.38	451263.33	1.148%	<u>0.106%</u>
				0.209%

Average Rate of Decline in % of Bad Debt Exp
compared to Annual Gross Revenues 0.104%

Bad Debt Exp rate for 2006 1.043%

Adjustment Calculations for Equipment Rental Expense:

Estimate for Rental Equipment use in Oct - Dec 2005 using new rates:

	Backhoe	Dump Trk	Backhoe \$50.00/hr	Dump Trk \$45.00/hr
3 dig ups in Lincoln Town site	8	5	\$ 400.00	\$ 225.00
Valve box dig up on Bliss Dr	2	1	\$ 100.00	\$ 45.00
4 fire Hydrant replacement/repairs	12	6	\$ 600.00	\$ 270.00
265 Crimson Dr Service Line Repair	4	4	\$ 200.00	\$ 180.00
Delete Service at 169 Nassau	3	0	\$ 150.00	\$ -
Stevens Dr Apt Meter Upgrades	4	0	\$ 200.00	\$ -
3 Meter barrel Rehabilitations	6	4	\$ 300.00	\$ 180.00
			\$ 1,950.00	\$ 900.00
		Sales Tax	\$ 97.50	\$ 45.00
			<u>\$ 2,047.50</u>	<u>\$ 945.00</u>

Total adjustment for known rental equipment expense in 2005

\$ 2,992.50

Increase in Rates for rental of Backhoe & Dump Truck effective September 1, 2005:

	Old Rate	New Rate	Difference
Backhoe	40.00	50.00	10.00
Dump Truck	35.00	45.00	10.00

Jan - August 2005 Invoices	Backhoe			Dump Truck		
	Hours	Rate	Cost	Hours	Rate	Cost
FVS Inv 6578	0.40	35.00	14.00	-	-	-
Tony Wise Inv 9	5.80	40.00	232.00	-	-	-
Tony Wise Inv 10	10.10	40.00	404.00	5.00	35.00	175.00
Tony Wise Inv 15	14.70	40.00	588.00	12.00	35.00	420.00
Tony Wise Inv 19	19.90	40.00	796.00	11.00	35.00	385.00
Totals			2,034.00			980.00
Sales Tax			122.04			49.00
Totals			2,156.04			1,029.00

Attachment G – Falls Water Company, Inc.

Exhibit D of Attachment G

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Charges with new hourly rates:

Jan - August 2005	Backhoe			Dump Truck		
Invoices	Hours	Rate	Cost	Hours	Rate	Cost
FVS Inv 6578	0.40	50.00	20.00	-	-	-
Tony Wise Inv 9	5.80	50.00	290.00	-	-	-
Tony Wise Inv 10	10.10	50.00	505.00	5.00	45.00	225.00
Tony Wise Inv 15	14.70	50.00	735.00	12.00	45.00	540.00
Tony Wise Inv 19	19.90	40.00	796.00	11.00	35.00	385.00
Totals			2,346.00			1,150.00
Sales Tax			117.30			57.50
Totals			2,463.30			1,207.50
Difference			307.26			178.50
Total Adjustment			\$ 485.76			

Transportation Expense Adjustment Calculation for 2006:**Adjustment to 2005 Transportation Expense:**

	<u>Dan</u>	<u>Tony</u>	<u>Lyle</u>
Gallons of use			
2004 November	-	159.606	122.257
December	-	128.664	153.828
2005 January	-	85.189	124.778
February	-	114.549	179.098
March	-	86.765	108.648
April	-	154.035	191.071
May	67.354	134.707	142.329
June	188.457	133.284	136.330
July	170.557	150.155	144.794
August	166.254	186.722	170.140
September	137.241	202.543	141.890
October	175.091	151.782	148.398
November*	165.627	159.606	122.257
December*	165.627	128.664	153.828
Totals	<u>1,236.209</u>	<u>1,688.001</u>	<u>1,763.561</u>

* Use November and December 2004 use for Tony and Lyle and avg June through Sept for Dan in November and December

Estimate 4th Qtr 2005 Transportation Expense:

	<u>\$/Gallon</u>	<u>Dan</u>	<u>Tony</u>	<u>Lyle</u>	
Oct -Dec 2005 @	\$2.87	\$ 1,446.59	\$ 1,259.68	\$ 1,216.93	\$ 3,923.20
Tires		757.13	900.16	-	\$ 1,657.29
Sherry's Trip					\$ 636.15
Mileage for Business Errands in Scott's Truck					\$ 120.00
Fluid's & Cleaners for Dan's Truck					\$ 84.76
License Plate Renewal for Tony's Van					\$ 40.75
Hotel for Tony's AWWA Conference					\$ 318.35
Service Tony's Van Transmission					\$ 150.00
Total					<u>\$ 6,930.50</u>

Attachment G – Falls Water Company, Inc.

Exhibit E of Attachment G

Page 2 of 2

Adjustment of 2005 Expense to adjust for month's that Dan did not work in 2005 for FWC:

Estimate that Dan's total gasoline use falls in range of Tony and Lyle's use for 2005 (Trucks are all 1 Ton vehicles with similar miles per gallon):

Tony	1,688.001
Lyle	1,763.561
Total Gallons	<u>3,451.562</u>
	<u>2</u>
Average use	<u><u>1725.781</u></u>

Revised 2005 annual gasoline use and expense totals to adjust for Gasoline Price increase:

	Annual Gallons Used	\$ per Gallon	Total Expense
Dan	1,725.781	2.869	\$ 4,951.27
Tony	1,688.001	2.869	\$ 4,842.87
Lyle	1,763.561	2.869	\$ 5,059.66
			<u><u>\$ 14,853.80</u></u>

Actual Expense for January - September 2005 and Estimated expense for October - December 2005 same as above:

2005	Dan	Tony	Lyle	
January	\$ -	\$ 150.50	\$ 252.55	
February	\$ -	\$ 205.00	\$ 357.23	
March	\$ -	\$ 185.92	\$ 206.10	
April	\$ -	\$ 401.52	\$ 395.82	
May	\$ 76.62	\$ 307.00	\$ 324.37	
June	\$ 417.91	\$ 295.00	\$ 301.66	
July	\$ 374.23	\$ 335.50	\$ 328.80	
August	\$ 417.37	\$ 432.56	\$ 396.26	
September	\$ 362.46	\$ 550.02	\$ 369.76	
October**	\$ 496.22	\$ 432.64	\$ 424.84	
November**	\$ 475.18	\$ 457.91	\$ 350.76	
December**	\$ 475.18	\$ 369.14	\$ 441.33	
Total	<u>\$ 3,095.18</u>	<u>\$ 4,122.70</u>	<u>\$ 4,149.48</u>	\$ 11,367.36

Adjustment to Transportation Expense for 2006:

Adjustment to included use for Dan's truck Jan - Apr 2005 and adjust price per gallon of gasoline to \$2.869 (see above calculation)	\$14,853.80
2005 expense based on actual costs and estimated 4th Quarter 2005	<u>\$11,367.36</u>
Adjustment total for gasoline use by Dan and price per gallon increase	<u><u>\$ 3,486.44</u></u>

Amortized Expense Request:

In November of 2003, Falls Water Company's parent company needed the office space that Falls Water Company occupied at 2025 East First Street in Idaho Falls, Idaho. As of December 1, 2003 Falls Water Company had signed a lease for the office space it currently occupies at 1770 Sabin Drive in Idaho Falls, Idaho. The physical move to new office space created a need for a receptionist/clerical position. The office help at the old office was shared by the businesses in the office and they were all part-time help. The parent company kept these employees for the staffing needs of the old office. FWC was forced to hire an employee to fill this position.

Our last rate case was finalized on December 15, 2003. Having just completed a rate case, the customers would not have been accepting of another increase so soon. When we hired Sherry McNett on January 5, 2004 her wages were not included in the rate case that we prepared in 2003.

In April of 2005, FWC's parent company changed the organization of another one of its subsidiaries and outsourced the maintenance needs for the subsidiary to a third party. The maintenance man, Dan Hunting, was assigned to FWC rather than being laid off. Again, the current rates do not include this employees wage rate. The parent company has helped out on this employee's payroll expense by 1/2 of his payroll for May through July 2005 and 1/4 of his payroll expense for August through December 2005.

Falls Water Company, Inc. is requesting the opportunity to be made whole for the payroll expenses for Sherry and Dan for the time they have been employed under the current rate structure. We will not seek help with the increased rent costs, utilities, and office expenses associated with the move to our current location for the time that the current rate structure has been in place.

	<u>2004</u>	<u>2005</u>	<u>Total</u>
Sherry McNett	\$25,870.78	\$31,018.99	\$56,889.77
Dan Hunting	\$ -	\$18,777.15	\$18,777.15
	<u>\$25,870.78</u>	<u>\$49,796.14</u>	<u>\$75,666.92</u>

Amortized over two year period

\$37,833.46

2006 Estimated Taxes:

Item 1 - Idaho Property Taxes

Tax Code Area #	2003 3"Equivalent Pipeline Miles	2004 Property Valuation	2004 Property Tax Amount	Value per 3" Equivalent Mile	2004 3" Equivalent Pipeline Miles	2005 Property Valuation	2005 Property Tax Amount
02-0007	2.54	11,300.00	161.36	4448.82	2.23	9,920.87	141.67
23-0000	1.51	6,717.00	82.29	4448.34	4.05	18,015.79	220.71
30-0000	5.96	26,514.00	326.32	4448.66	6.06	26,958.87	331.79
44-0000*	8.74	38,881.00	485.17	4448.63	-	-	-
74-0000	11.74	52,227.00	651.70	4448.64	18.29	81,365.57	1,015.30
79-0000	5.24	23,311.00	286.90	4448.66	6.11	27,181.34	334.53
80-0000	36.16	160,863.00	1,970.76	4448.64	29.68	132,035.78	1,617.59
81-0000	2.29	10,187.00	124.80	4448.47	7.44	33,096.63	405.47
Light Distr #2 - Lot 35 Block 15			10.00				10.00
Light Distr #2 - Lot 2 Block 1			10.00				10.00
Light Distr #1 - Lot 17 Block 14			12.00				12.00
Sargent Well Property			19.80				19.80
Light Distr #2 - Lot 1 Block 1			10.00				10.00
	<u>74.18</u>		<u>4,151.10</u>		<u>73.86</u>		<u>4,128.87</u>

*Black Hawk Water System no longer served by Falls Water Company

Item 2 - Federal Income Tax

	Est 2005 Tax	Est 2006 Tax
Net Income before Tax	\$11,880.15	\$130,966.57
Tax Calculation:		
\$0 - \$50,000 @ 15%	\$ 1,782.02	\$ 7,500.00
\$50,000 - \$75,000 @ 25%	\$ -	\$ 6,250.00
\$75,000 - \$100,000 @ 34%	\$ -	\$ 8,500.00
\$100,000 - \$335,000 @ 39%	\$ -	\$ 12,076.96
Total Federal Income Taxes	<u>\$ 1,782.02</u>	<u>\$ 34,326.96</u>

Item 3 - Idaho State Income Tax

	Est 2005 Tax	Est 2006 Tax
Net Income before Tax	\$11,880.15	\$130,966.57
Tax Calculation:		
Idaho Income Tax Rate 7.6%	\$ 902.89	\$ 9,953.46

Falls Water Company, Inc.
 Analysis of 2000 to 2004 Power Costs and Water Use per Customer
 for support of 2005 rate case

Year	Annual Totals Adjusted to use 2005 rates for Utah Power					Total Customers at Year End	Annual Water Production	Avg Water Prod/Cust
	Total KWH	Usage/Other Amount	Total Demand KW	Total Demand Amt.	Total Billed Amt			
2000	1,025,446	\$ 32,383.73	2,716	\$ 26,678.49	\$ 59,062.22	1942	656,477,000	338,042
2001	1,292,114	\$ 40,141.30	3,242	\$ 31,812.42	\$ 71,953.72	1967	775,263,428	394,135
2002	1,253,265	\$ 41,077.39	2,790	\$ 27,394.53	\$ 68,471.92	2006	740,884,299	369,334
2003	1,339,729	\$ 53,970.14	3,659	\$ 36,667.16	\$ 90,637.30	2196	928,790,833	422,947
2004	1,292,701	\$ 40,084.47	3,826	\$ 37,797.03	\$ 77,881.50	2464	789,561,383	320,439
Totals	5,177,809	\$175,273.30	13,517	\$133,671.14	\$ 308,944.44	Avg annual use per customer		368,979

Year	Avg Annual KWH per Customer	Avg KWH Cost per Customer	Average Demand KW /Customer	Avg Demand Cost per Customer	Avg Total Cost per Customer	Avg Gallons per KWH per Customer
2000	528	\$ 16.68	1.40	\$ 13.74	\$ 30.41	640
2001	657	\$ 20.41	1.65	\$ 16.17	\$ 36.58	600
2002	625	\$ 20.48	1.39	\$ 13.66	\$ 34.13	591
2003	610	\$ 24.58	1.67	\$ 16.70	\$ 41.27	693
2004	525	\$ 16.27	1.55	\$ 15.34	\$ 31.61	611
Avg Totals	589	\$ 19.68	1.53	\$ 15.12	\$ 34.80	627

Avg of 5 yr gallons/KWH averages

Estimated Total Customers YE 2005 2820

	2005 Customers	5 Yr Cost Averages	Average Power Costs
KWH Charges	2820	\$ 19.68	\$ 55,500.25
KW Demand Charges	2820	\$ 15.12	\$ 42,640.63
			\$ 98,140.88
Approved Utah Power Rate increase not in calc			1.017
Total power exp for 2005 customer base using Avg			\$ 99,809.27

The above analysis shows the effects of weather and system growth on the power consumption by the customers in the system. The year 2003 was very hot and dry and this is reflected in the average water use per customer of 422,947 gallons per year. The year 2004 was not as hot with temperatures not going into the 100's and the spring was wet through mid-May. The interesting result of the growth in 2003 and 2004 is that while average water use per customer was highest in 2003 and lowest in 2004 the growth meant that more pumps were online together and for longer periods of time to meet the increased demand from new customers.

The demand charges in 2004 compared to 2003 reflect the increased time that pumps were running to meet demands created by the increase in customers during the year even though use per customer decreased by 25%.

Falls Water Company needs to construct two new wells in the next year. We currently have a ranking of 6th on the state revolving loan funds current fiscal year project list. We are seeking two 1500 gallon per minute wells to assist in meeting peak demand needs and correct pressure deficiencies in the system during peak demand.

Calculation of Rate by Customer Class:

Present Rates:

Flat Rate Customers:

Number of Customers	583	
X Present Rate of \$17.50	<u>\$ 10,202.50</u>	
X 12 Months		\$ 122,430.00
Total Flat Rate Residential Revenues		\$122,430.00

Metered Commercial:

Number of Customers	41	
X Present Rate of \$11.50	<u>\$ 471.50</u>	
X 12 Months		\$ 5,658.00
Annual Excess Usage in 1000's of Gallons	17,189	
Annual Excess @ \$0.41 per 1000 gal.		<u>\$ 7,047.61</u>
Total for Metered Commercial		\$ 12,705.61

Metered Residential & Multi-family Residential:

Multi-family Residential:

Number of Customers	49	
X Present Rate of \$11.50	<u>\$ 563.50</u>	
X 12 Months		\$ 6,762.00

Metered Residential:

Number of Customers	2,147	
X Present Rate of \$11.50	<u>\$ 24,690.50</u>	
X 12 Months		\$ 296,286.00
Annual Excess Usage in 1000's of Gallons	202,414	
Annual Excess @ \$0.41 per 1000 gal.		<u>\$ 82,989.76</u>
Total for Metered Residential		\$386,037.76

Total Revenue at Present Rates	<u><u>\$521,173.37</u></u>
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Calculation of Rate by Customer Class:

Proposed Rates:

Flat Rate Customers:

Jan - Apr 2005			
Number of Customers	583		
X Proposed Rate of \$19.25	<u>\$ 11,222.75</u>		
X 4 Months		\$ 44,891.00	
May - Dec 2005 - After installing 100 meters			
Number of Customers	483		
X Proposed Rate of \$19.25	<u>\$ 9,297.75</u>		
X 8 Months		\$ 74,382.00	
			\$119,273.00

Metered Commercial:

Number of Customers	41		
X Proposed Rate of \$12.75	<u>\$ 522.75</u>		
X 12 Months		\$ 6,273.00	
Annual Excess Usage in 1000's of Gallons	20,102		
Annual Excess @ \$0.85 per 1000 gal.		<u>\$ 17,086.65</u>	
Total for Metered Commercial			\$ 23,359.65

Metered Residential & Multi-family Residential:

Multi-family Residential:

Number of Customers	49		
X Proposed Rate of \$12.75	<u>\$ 624.75</u>		
X 12 Months		\$ 7,497.00	
Annual Excess Usage in 1000's of Gallons	11,058		
Annual Excess @ \$0.85 per 1000 gal.		<u>\$ 9,399.10</u>	
Total for Multi-family Residential			\$ 16,896.10

Metered Residential:

Winter Rate:

Number of Customers - Jan - Apr 2005	2,147		
X Proposed Rate of \$15.50	<u>\$ 33,278.50</u>		
X 4 Months		\$ 133,114.00	

Number of Customers - Nov - Dec 2005	2,247		
X Proposed Rate of \$15.50	<u>\$ 34,828.50</u>		
X 2 Months		\$ 69,657.00	

Summer Rate:

Number of Customers - May - Oct 2005	2,247		
X Proposed Rate of \$12.75	<u>\$ 28,649.25</u>		
X 6 Months		\$ 171,895.50	
Annual Excess Usage in 1000's of Gallons	305,739		
Annual Excess @ \$0.85 per 1000 gal.		<u>\$ 259,878.50</u>	
Total for Metered Residential			\$634,545.00

Total Revenue at Present Rates	<u><u>\$794,073.75</u></u>
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