

# FALLS WATER COMPANY

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March 28, 2006

Idaho Public Utilities Commission  
472 West Washington Street  
PO Box 83720  
Boise, Idaho 83720-0074

Attached are seven (7) copies of the correction to the rebuttal comments for case no. FLS-W-05-1.  
Also enclosed is a 3.5" disk with a pdf file of the rebuttal comments.

If you need anything else, please, let me know what you need.

Thank you,

K. Scott Bruce  
Manager  
Falls Water Company, Inc.

Enclosures

K. Scott Bruce  
 Falls Water Company, Inc.  
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 Representative for Falls Water Company, Inc.

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 IDAHO PUBLIC UTILITIES COMMISSION

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF FALLS WATER COMPANY, INC. FOR</b>	)	<b>CASE NO. FLS-W-05-1</b>
<b>AUTHORITY TO INCREASE ITS RATES</b>	)	
<b>AND CHARGES</b>	)	<b>CORRECTIONS TO</b>
	)	<b>REBUTTAL COMMENTS</b>
	)	<b>OF FALLS WATER</b>
	)	<b>COMPANY, INC.</b>

**CORRECTION TO COMPANY REBUTTAL COMMENTS**

**Correction to Accounting Adjustments for Labor and Benefits Expenses**

Company adjustment 1 in the rebuttal comments omitted an adjustment to Staff adjustments for company paid portion of Health Insurance Benefits. On February 22, 2006, Frontier Property Group sold Falls Water Company, Inc. to LaSal Group. Frontier Property Group employees were contracted work at Falls Water Company, Inc. The employees working at Falls Water Company, Inc. stayed with Falls Water Company, Inc. after the sale. While resolving payroll needs for Falls Water Company, Inc. employees, Company received information about how the employees' health benefits were being billed to Falls Water Company, Inc. by Frontier Property Group. In October 2005, the insurance company increased the health insurance premiums. Frontier Property Group paid the additional premium costs and did not pass any of the cost through to either Falls Water Company, Inc. or the employees. LaSal Group is not going to pick up the additional insurance costs that Frontier Property Group did. This leaves the Company to pay these additional costs that were not being passed through to it by the previous parent company.

Staff Comments stated that the Company at the time of the audit was unable to provide evidence that the proposed increase was going to take effect. Company has new rates for its employees' health insurance and has a new known rate that the company will pay for each employee. The Company adjustment includes the costs that Frontier Property Group had paid and not passed along to Falls Water Company, Inc. or its employees. Company submits the annual increase in company paid employee health benefits is \$10,800.00. The new total of the 604 – Employee Benefits Expense account is \$34,055.00.

This change requires the change of the Company's requested increase to revenues (page 3 paragraph 2) from \$72,728.00 or 12.83% to \$86,720.00 or 15.29% (See Revised Attachment A).

**Tariff Revision due to omitted Labor and Benefits Expense Adjustment**

The Company's adjustment to the Staff's proposed tariff schedules to meet the Company's revised recommended revenue requirement of \$653,748.00 instead of \$639,756.00 is shown in the table below:

SCHEDULE	CURRENT TARIFF		STAFF PROPOSED TARIFF		REVISED COMPANY PROPOSED TARIFF	
	Minimum Charge	Commodity Charge	Minimum Charge	Commodity Charge	Minimum Charge	Commodity Charge
R-1	\$11.50	\$0.41 per 1,000 Gallons over 20,000	\$11.50	\$0.45 per 1,000 Gallons over 12,000	\$11.55	\$0.49 per 1,000 Gallons over 12,000
R-2	\$17.50	N/A	\$19.60	N/A	\$20.25	N/A
R-3	\$11.50	\$0.41 per 1,000 Gallons over 20,000	\$11.50	\$0.45 per 1,000 Gallons over 12,000	\$11.55	\$0.49 per 1,000 Gallons over 12,000
C-2	\$11.50	\$0.41 per 1,000 Gallons over 20,000	\$11.50	\$0.45 per 1,000 Gallons over 12,000	\$11.55	\$0.49 per 1,000 Gallons over 12,000

The following updated table shows the resulting annual average bill for each customer class under the Company revised rate tariff proposal as compared to the present bill and to the Staff's proposed rate tariff.

Schedule	Present Average Annual Bill (Adjusted)	Annual Average Bill with Staff Proposed Tariff	Percent Change from Present	Annual Average Bill with Revised Company Proposed Tariff	Percent Change from Present
R-1, Metered Residential	\$202.92	\$209.25	3.12%	\$216.18	6.5%
R-2, Flat Rate Residential	\$210.00	\$235.20	12%	\$243.00	15.7%
R-3, Multi-Family	\$208.88	\$215.79	3.3%	\$223.31	6.9%
C-2, Commercial	\$388.22	\$412.63	6.3%	\$437.64	12.7%

## Correction to proposed surcharge for metering unmetered customers

In the Company's Rebuttal Comments dated March 23, 2006, the information presented for the metering of unmetered customers was incorrect pertaining to calculation of the proposed surcharge. The Company's original plan per the map attached to the original Rate Case Application shows that the Company was planning installation of meters in the areas with correct meter barrels in the first three years of the plan. To accelerate the planned meter replacement and complete it in three years will place the Company in a financial quandary. If the Commission approves the proposed surcharge to enable the Company to meet the financial demand of the metering of unmetered customers in the three year accelerated program as proposed by the Staff, it would be beneficial to the customers as well as the company. The benefits from leak detection would be realized much sooner. The changes to the surcharge are as follows:

Total Meters required	585
Meters from Company's meter replacement program	348
Additional new meters to be purchased	237
Cost of 237 new meters not included in Company Maintenance program @ \$155.40	\$ 36,829.80
Installation Costs for 124 residences with correct meter barrel	\$ 4,297.84
Cost of installation for 89 residences with no meter barrel	\$ 47,615.88
Cost of installation for 24 residences with wrong meter barrel	\$ 14,786.18
Cost of 348 meters and installation from company meter replacement program	<u>\$ 66,140.88</u>
Total Cost of meter installation project	\$169,670.58
Less: Cost of 348 meters from meter replacement program	<u>(\$ 66,140.88)</u>
Total incremental cost for surcharge	<u>\$103,529.70</u>
Total customers December 31, 2005	2,908
Per customer portion of incremental cost	\$35.60
Monthly per customer surcharge for 36 months	0.99

## REVISED SUMMARY OF RECOMMENDATIONS

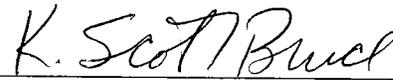
Company recommendations are as follows:

1. Change tariffs as shown below to reflect an increase to revenues of \$86,720.00 or 15.29%.
2. Accept Staff recommendation for Company to provide water conservation/wise water use information to customers.
3. Accept Staff recommendation to implement the proposed \$15 field collection charge and file a revised tariff that describes when the charge will apply.
4. Either allow the Company to convert unmetered customer to metered in six years as Company originally proposed, or implement a \$0.99 per customer per month surcharge for 36 months during which time the Company will convert unmetered customers to metered.
5. Accept Staff recommendation to enhance existing SCADA software to implement better record keeping, especially for well production.

6. Accept Staff recommendation to require Company to provide previously unmetered customers with weatherization information to minimize frozen pipe problems at the time of conversion to metered status.
7. File tariffs as described below.

Schedule	Minimum Charge, \$	Commodity Charge, Each 1,000 Gallons over 12,000
R-1, Metered Residential	\$11.55	\$0.49
R-2, Flat Rate Residential	\$20.25	N/A
R-3, Multi-Family	\$11.55	\$0.49
C-2, Commercial	\$11.55	\$0.49

Respectfully submitted this 28<sup>th</sup> day of March 2006.



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K. Scott Bruce  
Manager

Company Comments  
**Falls Water Company, Inc.**  
 General Rate Case  
 Fls-W-05-1

	Total Staff Proposed	Corrected Labor & Benefits 1	Corrected Phone & Office Expense Adj. 2	Corrected Transport & Training Exp 3	Total Co. Adjustments to Staff 4	Total Company Proposed
<b>Ordinary Income/Expense</b>						
<b>Income</b>						
400 · Operating Revenue						
460 · Unmetered Revenue	124,145				-	124,14
461.1 · Metered Residential	427,188				-	427,18
461.2 · Commercial Revenue	15,058				-	15,05
474 · Other Utility Revenue	637				-	63
<b>Total 400 · Operating Revenue</b>	<u>567,028</u>				<u>-</u>	<u>567,02</u>
<b>Total Income</b>	567,028				-	567,02
<b>Expense</b>						
601.5 · Labor Field	130,561				-	130,56
601.7 · Labor Meter Reading	3,110	3,733			3,733	6,84
601.8 · Labor Office	42,777				-	42,77
601.9 · Admin - Labor	62,368				-	62,36
603 · Salary Officers & Directors	7,704				-	7,70
604 · Employee Benefits	23,255	10,800			10,800	34,05
610 · Purchased Water	1,112				-	1,11
615 · Electrical Power	102,919				-	102,91
618 · Chemicals	2,952				-	2,95
620.2 · Source M&S	4,091				-	4,09
620.6 · Distribution M&S	24,496				-	24,49
620.7 · Postage	11,872				-	11,87
620.8 · Office	11,744		654		654	12,39
620.81 · Telephone Expense	9,919		1,046		1,046	10,96
620.82 · Bank Service Charges	762				-	76
620.83 · Office Utilities Expense	1,966				-	1,96
631.1 · Engineering	3,715				-	3,71
631.2 · Accounting	1,893				-	1,89
631.3 · Attorney	4,406				-	4,40
635 · Testing	3,410				-	3,41
636.2 · Source Contract Repairs	3,395				-	3,39
636.3 · Trash	198				-	19
636.6 · Distribution Contract Repairs	10,906				-	10,90
636.7 · Data Processing	3,078				-	3,07
641 · Rental of Property	11,868				-	11,86
642 · Rental of Equipment	6,845				-	6,84
650 · Transportation Expense	18,529			1,032	1,032	19,56
656 · Insurance Expense	9,468				-	9,46
660 · Advertising Expense	2,054				-	2,05
670 · Bad Debt Expense	5,926				-	5,92
675.1 · Training Expenses	900			955	955	1,85
675.2 · Dues & Publications	870				-	87
675.4 · IDHW Fee Expense	10,988				-	10,98
675.9 · Uncategorized Expenses	100				-	10
<b>Total Expense</b>	<u>540,160</u>	<u>14,533</u>	<u>1,700</u>	<u>1,987</u>	<u>7,420</u>	<u>558,37</u>
<b>Net Ordinary Income</b>	26,869					8,64
<b>Other Income/Expense</b>						
<b>Other Income</b>						
421 · Non-Utility Income	8,626				-	8,62
<b>Total Other Income</b>	8,626				-	8,62
<b>Other Expense</b>						
403 · Depreciation Expense	44,015				-	44,01
407 · Amortization Expense - Other	0				-	-
408.10 · Regulatory Fee	1,453				-	1,45
426 · Misc. Non-Utility Expenses	1,471				-	1,47
427.3 · Interest Expense	0				-	-
<b>Total Other Expense</b>	46,940				-	46,94
<b>Net Other Income</b>	(38,314)				-	(38,31)
<b>Net Income Before Taxes</b>	(11,446)					(29,66)
408 · Taxes						
408.11 · Property Taxes	4,129				-	4,12
409.10 · Fed Income Tax	(2,149)				-	(2,14)
409.11 · State Income Tax	(1,246)				-	(1,24)
<b>Total 408 · Taxes</b>	734				-	73
<b>Net Income After Taxes</b>	<u>(12,179)</u>					<u>(30,39)</u>

**STAFF**

Staff Return on Rate Base Recommended	36,535
Overall Return on Rate Base	6.3%
Staff Revenue Deficiency	48,714
Net to Gross Multiplier	1.2956
Staff Total Increase Recommended	63,114
Staff Total Revenue Recommended	630,142
Staff Percentage Increase Recommended	11.13%

**COMPANY**

Return on Rate Base Requested	36,53
Return on Rate Base %	6.3%
Company Revenue Deficiency	66,93
Net to Gross Multiplier	1.295
Company Total Increase Requested	86,72
Company Total Revenue Requested	653,74
Company Percentage Increase Requested	15.29%