

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION )**  
**OF FALLS WATER COMPANY, INC. FOR )** **CASE NO. FLS-W-05-1**  
**AUTHORITY TO INCREASE ITS RATES )**  
**AND CHARGES )** **ORDER NO. 30027**  
\_\_\_\_\_ )

On November 4, 2005, Falls Water Company, Inc. (Falls Water; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to increase its revenue requirement by \$258,364 (48.2%). In reply comments the Company reduced its requested increase to \$86,720 (15.29%). The Commission in this Order authorizes a revenue requirement increase for Falls Water of \$81,576 (14.39%). Under the rates we approve, the average annual water bill for Falls Water customers will increase by 5.6% for metered residential customers; 11.12% for metered commercial customers; 2.62% for multi-family residential customers; and 15.26% for non-metered residential customers. The net amount of actual increase varies by class of customer and usage.

Falls Water is an Idaho corporation and holder of Certificate of Public Convenience and Necessity No. 236. Falls Water provides water service in the Idaho Falls area to approximately 2,225 metered residential customers, 57 multi-family residential customers, 41 metered commercial customers, and 585 flat rate residential customers.

The issues, comments and related Commission findings are set forth below. The Commission has reviewed and considered the filings of record in Case No. FLS-W-05-1 including the analysis, comments and recommendations of Commission Staff and the Company's related reply, the written comments of customers and the transcript of customer testimony. We have also reviewed our prior rate Orders in Case Nos. FLS-W-97-1 (Order No. 27110); FLS-W-01-1 (Order No. 28907); and FLS-W-03-1 (Order No. 29397). We continue to find it appropriate to process this Application without a technical hearing based on the written filings of record. Reference IDAPA 31.01.01.204.

**Application**

The Company maintains that an increase in rates is needed to keep up with the increasing costs of operations and maintenance and to replace its aging infrastructure. Pursuant

to prior Commission Orders, and as recognized by the Company in its Application, retained earnings for Falls Water until changed by Commission Order are to be used only for capital improvements, repair and replacement. Reference Order No. 28907, Case No. FLS-W-01-1; Order No. 27110, Case No. FLS-W-97-1. The last general rate increase for Falls Water was authorized by Commission Order No. 29397 in Case No. FLS-W-03-1.

Falls Water is seeking a reduction in the amount of water included in the minimum billing charge, and proposes to create a summer and winter rate schedule for metered residential customers. The Company proposes a new Schedule R-4 metered residential tariff for subdivisions that have surface water rights and separate irrigation available for lawns and landscaping. Extension of service to Schedule R-4 developments would be designed to provide only potable domestic in-house water. Also proposed by the Company is a planned phase-out of its flat rate and a field collection fee for past due balances.

Included with the Company's filing are balance sheets, income statements, rate base calculations, explanation of rate calculations, a map of planned metering of mobile home estates and proposed tariffs.

On November 28, 2005, the Commission issued Notices of Application and Intervention Deadline in Case No. FLS-W-05-1. The deadline for filing for intervention was December 23, 2005. No party requested intervention.

On January 25, 2006, Commission Staff conducted a public workshop for Falls Water customers in Idaho Falls, Idaho. The public workshop offered the public and customers of Falls Water an opportunity to meet with Commission Staff, ask questions and receive information regarding Falls Water's Application.

On March 15, 2006, the Commission conducted a public hearing in Idaho Falls to obtain public testimony. In addition to the public workshops and hearing, the Commission also provided an opportunity to submit written comments. Comments were filed by Commission Staff and customers of Falls Water. The Company was given until March 24 to file reply comments. The Company filed reply (rebuttal) comments and filed a correction to its comments on March 29, 2006.

## Revenue Requirement

### *Test Year, Capital Structure, Rate Base and Return on Equity*

Falls Water in its initial Application requested authority to increase its revenue requirement to \$794,328, an increase of \$258,364 (48.2%). The Commission Staff in its comments proposes adjustments to the Company requested test year revenues, expenses, rate base, capital structure and overall rate of return (Staff Comments Attachment A (as amended)). Staff recommends a revenue requirement increase of only \$63,115 (11.13%). The Company in reply (rebuttal) comments amends its revenue increase request to \$86,720 (15.29%).

Staff reviewed Falls Water's Application and performed a field audit of the Company's financial books and records. Falls Water accepts Staff adjustments for known and measurable changes to normalize 2005 test year operating revenues. Staff corrected Attachment A shows total operating revenue as \$567,027. Staff recommends changes to both the rate base amounts and the revenues and expenses proposed by Falls Water. Staff proposes a total calculated rate base for Falls Water of \$579,926, a number acquiesced to by the Company in reply comments. Staff continues to find a 12% return on equity to be reasonable for Falls Water. Staff notes that the Company's capital structure has changed from being made up entirely of common equity in 2002 to currently 71.8% long-term debt and 28.2% common equity. Using this capital structure, Staff calculates an overall return of 6.3%, also agreed to by the Company, a return that was calculated as follows and equates to annual return on rate base of \$36,535.

DESCRIPTION	AMOUNT	PERCENT	COST	WEIGHTED COST
State Revolving Loan Fund	\$259,363	50.5%	3.25%	1.64%
Long Term Loan to Parent	\$109,305	21.3%	6.00%	1.28%
Common Equity	\$144,834	28.2%	12.00%	3.38%
Total	\$513,502			6.30%

### *We find:*

In reviewing the filed comments, we find that Staff's recommendations are based on its audit of Company records and operations. We find that the Staff identified exceptions and related adjustments to the Company's financial records as reflected in the Attachment to this Order were based on information provided and are proper and in conformance with observed accounting standards. The further adjustments we make are based on clarification and further

information provided by the Company in its reply comments. We find that the resulting schedules accurately reflect the Company's financial profile, rate base and operations for test year 2005.

In the context of the record established in Case No. FLS-W-05-1 and the results of Staff audit and adjustments and the further adjustments detailed below, we approve and find just and reasonable for Falls Water Company the following: use of a 2005 test year, a rate base of \$579,926, a return on equity of 12%, an authorized revenue requirement of \$648,604, and a resultant authorized revenue increase of \$81,576 or 14.39%.

#### Staff Adjustments – O&M Expense

As reflected in Staff comments and Falls Water reply comments the Company does not agree with all of Staff's adjustments to operation expense. Specifically the areas of difference pertain to meter reading labor expense, employee benefits, telephone expense, office expense, transportation expense and training expense. We address those areas below.

#### *Meter Reading Labor Expense*

Staff Adjustment B proposes to reduce labor meter reading expenses. As reflected in Staff comments, currently the meter reader is paid a monthly salary. The present meter reader has been employed by the Company for five years. The salary is spread out over 12 months and is calculated on a monthly salary for 9 months. Meters are read by the meter reader beginning on or about April 15 with the final read of the summer season taking place on or about October 15. Residential meters are not read during the winter months. The commercial meters are read either by the manager (summer) or one of the field labor personnel (winter).

After discussions with the Company, Staff determined that meter reading labor takes approximately 20 hours per month to complete during the 7 months that meters are read. Staff proposes to adjust the labor meter reading expense to reflect the current market rate for meter readers with five years experience. As represented, the residential meters are read a total of seven times a year. Staff proposes an adjustment based on 20 hours monthly (2.5 days at the standard 8 hours/day) at a rate of \$18.79 per hour (the wage paid to meter readers with similar experience at United Water Idaho). This monthly amount, calculated based upon the seven times per year that meters are read equates to \$3,110.42 per year. Staff's adjustment reduces O&M expenses by \$4,871.

Falls Water in reply comments reports that approximately 1,200 meters have been added to the meter reading routes since July 2000. The current number of meters read each month starting April 2006 will be 2,311. Additional meters will be added as new construction customers come onto the system. Another addition to meters read by the meter reader will be the conversion of unmetered flat rate customers to metered. With the current number of meters, the Company reports that the meter reader works not 20 hours but 44 hours per month to complete the reading of the system.

At the Staff proposed rate of \$18.79 per hour, the Company calculates the meter reading expense should be \$5,787.32 plus 18.24% for employer payroll expense (i.e., workers compensation insurance, FICA, FUTA, state unemployment insurance, etc.) for a total annual labor meter reading expense of \$6,842.92. This adds \$3,732.50 back to Staff's proposed \$3,110.42.

***We find:***

The Commission accepts the Company's proposed reply comment adjustment increasing the monthly hours of the meter reader from 20 to 44 hours per month. The resulting and authorized annual expense for labor meter reading is \$6,843. The Company is directed to document the actual hours worked by the meter reader by time cards or other time keeping records and to maintain those records for audit purposes.

***Employee Benefits***

Staff Adjustment B also proposes an adjustment to employee benefits. In the Company's Application, the Company has included an adjustment for an increase in health insurance premiums. At the time of Staff's audit, the increase in premiums had not taken place, nor was the Company able to provide evidence that the proposed increase would be implemented. Staff removes this increase to employee benefits as not being known and measurable. Staff reduces health benefits by \$8,400. Staff notes that the Company has begun a 401(k) retirement program. The Company contributes a percentage based on the employee's salary. Because Staff has reduced employee labor, there is a corresponding reduction to benefits. Staff reduces benefits for the 401(k) retirement plan by \$259. Staff's total employee benefits adjustment reduces O&M expenses by \$8,659.

Falls Water in reply comments proposes an adjustment to Staff adjustments for the Company paid portion of health insurance benefits. The Company reports that on February 22,

2006, Frontier Property Group sold Falls Water Company, Inc. to LaSal Group. In October 2005, the insurance company increased the health insurance premiums. The 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.

Falls Water has new rates for its employee's 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 or its employees. Falls Water submits the annual increase in Company paid employee health benefits is \$10,800. The new total for employee benefits expense is \$34,055.

***We find:***

The Commission is informed that Staff has reviewed the new contracts recently signed with the health insurance provider for the Company. The Commission accepts the Company proposed adjustment as just and reasonable. Staff in comments contends that a sharing of the premium increase between the employees and the Company would be appropriate. The Company proposes to absorb the entire increase in premium rather than pass on any of those costs to the employees. We will accept the Company's decision in this regard. The resultant employee benefit expense that we authorize for health benefits and the 401(k) plan is \$34,055.

***Telephone Expense***

Staff Adjustment C proposes to remove \$1,200 from telephone expense. The Company provides its employees with cellular telephones. The Company currently provides cellular telephones to the three field labor employees, the meter reader, the full-time office receptionist and the Company manager. Staff does not believe that it is reasonable to provide the full-time office receptionist or the part-time meter reader with a cell phone. Staff's adjustment removes \$100 per month from telephone expense for the two cellular telephones.

Falls Water in reply comments disagrees with the amount that is being deducted. The expense for the Company for the two phones, it states, is not \$50 per phone per month. The Company reports that it has two cell phone plans with three phones per plan. The first phone in each plan is \$131.70 and \$116.85, respectively. The second phone per plan is \$28.44 and \$27.44, respectively. The third phone is \$6.41 per plan. The Company contends that the adjustment for cell phones should be \$6.41 per phone per month or \$153.84 annually instead of

the \$1,200 annual adjustment made by Staff. The Company proposes that \$1,046.16 be added back to the telephone expense for a total annual telephone expense of \$10,965.

***We find:***

The Commission accepts the Company's incremental adjustment for the third cell phones used by the office receptionist and meter reader. The annual cell phone adjustment we find reasonable is \$153.84. The resultant total annual telephone expense we authorize is \$10,965.

***Office Expense***

The Company in reply comments contends that to provide a bill stuffer regarding water conservation to customers (as recommended by Staff) office expense should be adjusted to allow for the printing and handling of the bill stuffer by the Company's third-party bill preparer. The cost to present and stuff the conservation billing stuffer is \$0.225 each. The total cost to send the conservation billing stuffer to 2,908 customers, the total number of customers at the end of 2005, is \$654.30. The original rate case Application did not include this expense.

***We find:***

The Commission finds Staff's bill stuffer recommendation and the Company's related expense request to be reasonable. The benefits of a well-crafted conservation message for customers, we find, should exceed the cost of bill stuffing. We approve the requested \$654.30. The Company is encouraged to work with Staff on the content of the message. The resultant annual office expense we authorize is \$12,398.

***Transportation Expense***

Staff Adjustment D adjusted the Company's transportation expense to include the current cost of fuel in the transportation calculation. The Company used \$2.869 per gallon of fuel. This was the cost of fuel at the time the Company was compiling its rate case. Staff used a more current cost of \$2.269 per gallon of fuel.

Falls Water in reply comments notes that the retail gasoline price for the Rocky Mountain region as of March 20, 2006 was \$2.395 per gallon of regular grade gasoline. The price was taken from the Energy Information Administration website. The Company recognizes that the prices for gasoline are not stable and will continue to fluctuate. The Company requests that the best known and reasonable pricing be used for this expense item. The Company adjustment for the price of gasoline increases transportation expense by \$1,032.38.

***We find:***

The Commission finds it reasonable to use the Company updated gasoline rate of \$2.395 per gallon. The resultant annual transportation expense we authorize is \$19,561.

***Training Expense***

Staff Adjustment F removes \$900 of training expense as not being representative of the normal amount of yearly training incurred by Falls Water Company. Staff removed half the amount of training included by the Company. Staff asserts that its adjustment provides for a more reasonable level of ongoing training.

Falls Water in reply comments seeks to reclassify costs removed from transportation expense for travel and lodging pertaining to employee training in the amount of \$954.50. The Company reports that it has over the past two years sought to give more training opportunities to its employees. The addition of a new full-time employee in 2004 and the addition of another full-time employee and a part-time employee in 2005 have effectively doubled the Company's workforce. The Company wishes to continue to provide effective and beneficial training for its employees. Many of the classes and seminars to which its employees go are local, it states; however, not all of the training needs can be fulfilled in the eastern Idaho area. The needed training sometimes requires that an employee travel outside eastern Idaho. The Company feels that it is appropriate to train its employees well and believes that well trained employees benefit the customer.

***We find:***

The Commission recognizes that small water companies may have to travel to obtain specialized training. We also recognize the benefits that accrue to customers from employee training. It is also reasonable to expect that as the Company's labor force increases, its training expense will also increase. We find it reasonable to grant the Company-requested \$954.50 increase in training expense. The resultant annual training expense we authorize is \$1,855.

**Rate Design**

***Secondary Irrigation Systems***

Falls Water in its Application represents that the Company has experienced significant customer growth in the past two years. Many recent housing developments, the Company states, have been built on land that was previously used for agriculture and is part of an irrigation district. Falls Water proposes to better utilize its existing water rights and promote



responsible use of existing water rights for new development by contractually requiring new developments to utilize existing irrigation rights and by implementing a new water rate (Schedule R-4) for new customers with access to secondary irrigation systems for lawns and landscaping, a tariff rate and water allotment based on domestic in-house use. To discourage use of potable and treated water for irrigation the Company proposed as part of the R-4 tariff to levy an excess use charge priced intentionally high (three times the standard commodity charge).

While Staff states that it supports the secondary irrigation rate measures proposed, Staff believes it is inappropriate to implement a rate differential before a separate irrigation ordinance exists or before separate pressurized irrigation systems are available. Staff recommended elimination of Schedule R-4. The Company in reply comments eliminated Schedule R-4 from its revised proposed tariffs.

***We find:***

The Commission supports the Company's efforts to marshal its water rights and to encourage conservation of potable water and promote the use of pressurized secondary irrigation systems. We note, as reflected in comments, that in July 2005 an Idaho law was enacted requiring the use of surface water for irrigation where surface water rights are reasonably available. Reference *Idaho Code* § 67-6537. We note also that the Company in water right proceedings before the Idaho Department of Water Resources agreed in 2005 to "actively seek a new county ordinance for Bonneville that would require new subdivisions to acquire or use appurtenant surface water rights for irrigation purposes."

We concur with the acquiescence by the Company in the elimination of its proposed tariff Schedule R-4. Other options, we find, need to be pursued first. We commend the Company for its reply comment commitment to provide water conservation/wise water use information to customers. We note, however, that the Company has been previously directed by the Commission to provide such information and failed to do so. Reference Order No. 29397 (December 12, 2003). By this Order we direct the Company to provide brochures or fact sheets specifically directed at water conservation and wise water use and mail them out once each year with the bills prior to the summer months. Staff can provide examples of printed materials used by other water companies if the Company needs assistance in preparing this information.

*Minimum Charge Water Allowance*

Falls Water in its Application requests that the amount of water usage included in the minimum charge for metered customers be reduced from 20,000 gallons to 8,000 gallons in the summer time and from 20,000 to 15,000 gallons in the winter time. The Company reports that the historical average monthly usage per residential household during the six-month winter time was 7,500 gallons/month in 2002, and 7,167 gallons/month in 2003 and 2004. The Company contends that winter usage is a reasonable gauge for in-house use for the average household in its system and that in-house use of 8,000 gallons for summer months would lead to greater water conservation. The higher winter time allowance, the Company states, would allow customers to run some water during cold weather to prevent freezing of household water lines.

Staff represents that even a significant change in the amount of water included with the minimum charge has a relatively small effect on revenue. Revenue derived from the commodity rate was calculated at the 10,000, 12,000, 15,000 and 20,000-gallon allowance levels. A 12,000-gallon minimum charge allowance is recommended by Staff based on the average winter use for metered customers that varies from about 6,000 gallons per month to approximately 12,000 gallons per month. Staff believes it is appropriate to set the minimum charge allowance at a level where few, if any, will pay for excess water in the winter months.

Falls Water in its reply comments and tariff proposal adopts the allowance proposed by Staff.

***We find:***

The Commission finds the 12,000-gallon monthly allowance included in the minimum charge to be reasonable. We find it also reasonable to defer consideration of the Company's proposed summer/winter differential in allowance levels until such time as the Company's flat rate customers are metered. Based on Staff observations and recommendations, we direct the Company to follow through on its reply comments commitment to implement operational measures to improve its well log and system recordkeeping, to enhance its SCADA software capabilities, to identify and better control its water loss and to improve its delivery efficiency.

*Metering of Unmetered Customers*

Falls Water in its Application announces a planned phase out of its flat rate. Currently the flat rate is restricted to the 585 residential R-2 customers located in Mobile Home

Estates Subdivision, Monte Vista Estates and First Street Mobile Park. The Company in its Application proposed to convert these customers to the R-1 metered tariff over a period of six years using meters from its meter replacement program. As proposed by the Company in its Application, the meter installation would divert meters from an ongoing meter replacement program (5% of its oldest meters each year) and would not require additional funds.

Customer water use analysis, Staff notes, suggests that there is excessive water use, leakage or both, taking place in the Company's unmetered service area. To support conservation by individual customers and to identify and locate leaks, Staff recommends a three year program to meter unmetered customers. Staff estimates the total cost to convert to metered status to be approximately \$169,670. Staff further recommends that the Company provide those customers with weatherization information and assistance that could help them identify and eliminate leaks and reduce or eliminate frozen pipe concerns.

Falls Water in reply comments states that the Company is not financially able to meter all unmetered customers within three years. To finance the project within the 3 years proposed by Staff, the Company proposes a \$.96 per customer monthly surcharge for 36 months. The total surcharge cost brought forward by shortening the implementation from six years to three years as calculated by the Company is \$100,966. The Company commits to provide previously unmetered customers with weatherization information to minimize frozen pipe problems at the time of conversion to metered status.

***We find:***

The Commission finds the record incomplete with respect to the Company proposed surcharge. The Company's surcharge proposal was first presented in reply comments. We find it reasonable that Staff and customers be provided an opportunity to comment. We support the Company's proposal to meter unmetered customers. We accept the Company's commitment to provide previously unmetered customers with weatherization information. We encourage the Company to discuss its metering and surcharge proposal with Staff and to prepare and file a surcharge application. We would like to see the meters purchased and installed sooner rather than later, preferably much sooner than six years.

***Authorized Rate Design***

Falls Water proposes in its Application to increase both the monthly minimum charge and the commodity charge for water used in excess of the minimum water allowance for

metered R-1 customers. Additionally, the Company would set summer and winter tariffs with differing minimum charges and minimum allowances and establish a new tariff for new subdivisions with secondary irrigation.

In developing a rate design proposal for Falls Water, Staff proposes changes to the tariff design to encourage conservation. Staff's proposal involves eliminating the unmetered R-2 flat rate customers over the next three years, increasing the portion of total revenue collected from excess commodity usage and reducing the amount of water included with the minimum charge. The minimum charge in the tariff proposed by Staff provides approximately 72% of required revenue while the excess use commodity charge will provide 28%. The Company's present tariff structure and the 2005 test year provided approximately 78% of its revenue from fixed charges and 22% from excess water commodity charges.

Staff finds no justification for the seasonal split rate for R-1 customers, especially when compared to the single rate for metered multi-family and commercial customers. While Staff supports the secondary irrigation measure proposed, it believes it is inappropriate to implement a rate differential before a separate irrigation ordinance exists or separate irrigation systems are available.

***We find:***

The Commission finds the rate design proposed by Staff and agreed to by the Company in reply comments to be fair, just and reasonable and an equitable way to recover the Company's revenue requirement. Reference *Idaho Code* § 61-503. We further find that the realignment of revenue generation in the rate components for metered customers is a move designed to promote conservation of water. Applying the rate design to generate the approved \$648,604 annual revenue requirement results in the following tariff rates and estimate annual average bills. The net amount of actual increase varies by class of customer and usage.

Schedule	Present Average Annual Bill (Adjusted)	Commission Approved Minimum Charge	Commission Approved Commodity Charge/1,000 Gallon over 12,000	Estimated Average Annual Bill with Approved Tariff	Percent Change from Present
R-1	\$202.92	\$11.53	\$0.48	\$214.36	5.64%
R-2	\$210.00	\$20.17	n/a	\$242.04	15.26%
R-3	\$208.88	\$11.53	\$0.48	\$214.36	2.62%
C-2	\$388.22	\$11.53	\$0.48	\$431.30	11.10%

## **Other Fees and Charges**

### *Field Collection Charge*

Falls Water in its Application seeks to charge a \$15 field collection fee for customers who fail to respond to notices of termination for non-payment on account and do not pay until the service technician is at the home ready to terminate service. In calendar year 2004, the Company collected payment at the doors of 12 customers; in 2005 at the doors of 10 customers. The Company delivers a final disconnect notice to customers at least 24 hours in advance of the proposed disconnect date. If the customer fails to respond, the service technician makes a second trip to the residence to disconnect service. If customers are experiencing financial difficulties in paying the full amount of the bill, they can call the Company to work out payment arrangements. Staff supports the Company requested field collection charge. Staff notes that other water, gas and electric companies charge a field collection fee in amounts ranging from \$15 to \$20.

### ***We find:***

The Commission finds it reasonable to authorize the requested \$15 field collection charge. The "field collection" fee is to be included in the Company's tariffs. The fee will be assessed when a personal visit is made by a Company representative to a service address in order to terminate service and at such time the customer makes a partial or full payment on the bill. Notice of the field collection charge should be provided with the final disconnect notice. The field collection charge should not be assessed if service is terminated. In such instance, the already authorized reconnection fee will apply.

### **Customer Comments**

The Commission received both written comments and oral testimony from the Company's customers. Most comments were directed to affordability issues and the 48% increase requested in the Company's Application, the Company's proposal to seasonally change the minimum allowance of water provided in base rates, and the Company's proposal to assess an excess usage penalty for new customers with access to separate irrigation waters. Several customers addressed the disparity in the requested tariff rate increase to metered and unmetered customers (64.7% for metered; 10% for unmetered). A few compare Falls Water rates to those of nearby municipal water companies. One customer states that the City of Ammon requires a certain amount of landscaping, implying that the customer's ability to conserve by changing to

drought resistant landscaping may be limited. One other customer raises the contention that customers did not receive any promotional information from Falls Water encouraging conservation.

***We find:***

The Commission appreciates the comments of Falls Water customers and considered them in its deliberation. We note that the revenue increase authorized by the Commission in this Order is significantly less than the Application request of the Company. In this Order we support the Company's plan to transition non-metered customers to metered. We also support conservation of water and direct the Company to provide customers with related information. Although we have reduced the minimum allowance of water in existing rates, we have not authorized the seasonal differential recommended by the Company. We note also that the proposed R-4 schedule and excess usage penalty for new customers with access to separate irrigation waters was withdrawn.

While the authorized increase in rates is less than originally requested by the Company, we recognize that the increase for some customers will result in economic hardship. As we indicated in prior Falls Water Order No. 29397, while this Commission is not insensitive to the economic circumstances of customers, we note that we also have an obligation to Falls Water to set rates at a level sufficient to recover its costs of production and service. The Commission is not aware of any assistance programs or aid available to Falls Water customers. We encourage customers who are having difficulty in paying their water bills to contact the Company to discuss payment arrangements.

**CONCLUSIONS OF LAW**

The Commission has jurisdiction and authority over Falls Water Company, Inc., a water utility, and the issues raised in Case No. FLS-W-05-1, pursuant to Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

**ORDER**

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission in Case No. FLS-W-05-1 does hereby approve as just and reasonable an annual revenue requirement of \$648,604, an increase of \$81,576 (14.39%). We also approve as just and reasonable the detailed changes in revenue requirement,

capital structure, return on rate base, rate design and Schedule R-1, R-2, R-3 and C-2 tariff revisions.


IT IS FURTHER ORDERED and the Company is directed in compliance with the foregoing to file amended tariffs to reflect the authorized rates and charges for an effective date of April 1, 2006.

IT IS FURTHER ORDERED and the Company is directed as more particularly described above to comply with the Commission's directives regarding water conservation/wise water use information, weatherization information, well log and system recordkeeping and enhancement of SCADA software capabilities.

IT IS FURTHER ORDERED and the Company is directed in accordance with the foregoing to file a \$15 Field Collection Charge tariff sheet.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

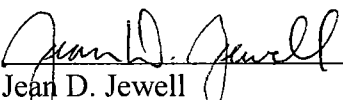
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 27<sup>th</sup>  
day of April 2006.

  
PAUL KJELLANDER, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
DENNIS S. HANSEN, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

bls/N:FLS-W-05-01\_sw



**Commission Decision  
Falls Water Company, Inc.  
General Rate Case  
FLS-W-05-1**

	Falls Water Proposed	Staff Adjustments	Company Rebuttal Adjustments	Commission Decision
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
400 · Operating Revenue				
460 · Unmetered Revenue	124,145			124,145
461.1 · Metered Residential	397,651	29,537		427,188
461.2 · Commercial Revenue	13,532	1,526		15,058
474 · Other Utility Revenue	637			637
<b>Total 400 · Operating Revenue</b>	<b>535,964</b>	<b>31,063</b>		<b>567,028</b>
<b>Total Income</b>	<b>535,964</b>	<b>31,063</b>	<b>0</b>	<b>567,028</b>
<b>Expense</b>				
601.5 · Labor Field	138,215	(7,654)		130,561
601.7 · Labor Meter Reading	7,981	(4,871)	3,733	6,843
601.8 · Labor Office	42,777			42,777
601.9 · Admin - Labor	62,368			62,368
603 · Salary Officers & Directors	13,824	(6,120)		7,704
604 · Employee Benefits	31,913	(8,658)	10,800	34,055
610 · Purchased Water	1,112			1,112
615 · Electrical Power	99,809	3,110		102,919
618 · Chemicals	2,952			2,952
620.2 · Source M&S	4,091			4,091
620.6 · Distribution M&S	24,496			24,496
620.7 · Postage	11,872			11,872
620.8 · Office	11,744		654	12,398
620.81 · Telephone Expense	11,119	(1,200)	1,046	10,965
620.82 · Bank Service Charges	762			762
620.83 · Office Utilities Expense	1,966			1,966
631.1 · Engineering	3,715			3,715
631.2 · Accounting	1,893			1,893
631.3 · Attorney	4,406			4,406
635 · Testing	3,410			3,410
636.2 · Source Contract Repairs	3,395			3,395
636.3 · Trash	198			198
636.6 · Distribution Contract Repairs	10,906			10,906
636.7 · Data Processing	3,078			3,078
641 · Rental of Property	11,868			11,868
642 · Rental of Equipment	6,845			6,845
650 · Transportation Expense	23,008	(4,479)	1,032	19,561
656 · Insurance Expense	9,468			9,468
660 · Advertising Expense	2,054			2,054
670 · Bad Debt Expense	8,285	(2,359)		5,925
675.1 · Training Expenses	1,800	(900)		1,855
675.2 · Dues & Publications	870		955	870
675.4 · IDHW Fee Expense	10,988			10,988
65.9 · Uncategorized Expenses	100			100
<b>Total Expense</b>	<b>573,290</b>	<b>(33,131)</b>	<b>18,220</b>	<b>558,379</b>
<b>Net Ordinary Income</b>	<b>(37,326)</b>			<b>8,649</b>
<b>Other Income/Expense</b>				
<b>Other Income</b>				
421 · Non-Utility Income	8,626			8,626
<b>Total Other Income</b>	<b>8,626</b>	<b>0</b>	<b>0</b>	<b>8,626</b>
<b>Other Expense</b>				
403 · Depreciation Expense	44,015			44,015
407 · Amortization Expense - Other	37,833	(37,833)		0
408.10 · Regulatory Fee	2,035	(582)		1,453
426 · Misc. Non-utility Expenses	1,471	0		1,471
427.3 · Interest Expense	17,455	(17,455)		0
<b>Total Other Expense</b>	<b>102,810</b>	<b>(55,870)</b>	<b>0</b>	<b>46,940</b>
<b>Net Other Income</b>	<b>(94,184)</b>			<b>(38,314)</b>
<b>Net Income Before Taxes</b>	<b>(131,510)</b>			<b>(29,665)</b>
<b>408 · Taxes</b>				
408.11 · Property Taxes	4,129			4,129
409.10 · Fed Income Tax	34,539	(36,668)		(4,664)
409.11 · State Income Tax	9,995	(11,241)		(2,704)
<b>Total 408 · Taxes</b>	<b>48,663</b>	<b>(47,929)</b>	<b>0</b>	<b>(3,238)</b>
<b>Net Income After Taxes</b>	<b>(180,173)</b>			<b>(26,427)</b>

	Company Request	Staff Recommendation	Company Rebuttal	Commission Decision
Rate Base	\$ 651,588	\$ 579,926	\$ 579,926	\$ 579,926
Return on Rate Base Recommended	78,191	36,535	36,535	36,535
Overall Rate of Return	12%	6.3%	6.3%	6.3%
Revenue Deficiency	258,364	48,714	66,934	62,962
Net to Gross Multiplier		1.2956	1.2956	1.2956
Total Increase Recommended	258,264	63,115	86,720	81,576
Total Revenue Requirement	794,328	630,143	653,748	648,604
Percentage Increase Requested	48.2%	11.13%	15.29%	14.39%