



FALLS WATER COMPANY

2180 N. Deborah Dr., Idaho Falls, Idaho 83401
Website: www.fallswater.com

Tel.: (208) 522-1300
Fax: (208) 522-4099

August 3, 2009

Idaho Public Utilities Commission
ATTN: Commission Secretary
P.O. Box 82720-0074
Boise, Idaho 83720

RECEIVED
2009 AUG -4 PM 1:51
IDAHO PUBLIC
UTILITIES COMMISSION

Subject: Application to Increase Rates and Charges

Dear Commission Secretary:

Enclosed are an original and seven copies of an application together with supporting exhibits requesting an increase in rates and charges of Falls Water Co., Inc. An extra copy is also enclosed. Please date stamp and return this extra copy to the company for our records.

The Company will inform its customers of this application through a notice to be mailed on August 5, 2009. The Company will send a news release to the Post Register Newspaper in Idaho Falls on August 6, 2009. Copies of the notices are enclosed as Exhibits 8 & 9.

Also enclosed is a computer disc containing the application and work papers in electronic media to aid the Commission Staff in its review of this application.

Sincerely,

K. Scott Bruce
General Manager

RECEIVED

2009 AUG -4 PM 1:51

IDAHO PUBLIC
UTILITIES COMMISSION

K. Scott Bruce
Falls Water Company, Inc.
2180 North Deborah Drive
Idaho Falls, ID 83401
Tel. (208) 522-1300
Fax (208) 522-4099
E-mail: scott1@fallswater.com
Representative for Falls Water Company, Inc.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
FALLS WATER COMPANY)
FOR AN ORDER AUTHORIZING INCREASES IN)
THE COMPANY'S RATES AND CHARGES FOR)
WATER SERVICE IN THE STATE OF IDAHO)**

CASE NO. FLS-W-09-1

APPLICATION

COMES NOW Falls Water Company Inc., ("Falls Water", "Applicant" or "Company") and hereby makes application to the Idaho Public Utilities Commission, ("Commission") for an Order approving revisions to Applicant's schedules of rates and charges for water service in the State of Idaho to become effective with service provided on and after September 10, 2009. Applicant is requesting the Commission's authorization to: 1) Change the water rates it charges its customers to produce an increase in the Company's revenues by approximately 14.39%. The Company is proposing to increase its metered customer base rate from \$14.00 to \$18.00 (29%) to improve cash flows to meet minimum fixed costs during the winter months and decrease it's commodity rate from \$0.667 to \$0.601 per thousand gallons (-10%). The Company proposes to delete its obsolete current flat rate Schedule R-2. The Company last increased its basic rates and charges pursuant to Commission Order No. 30484 (Case No. FLS-W-07-1) dated January 11, 2008; 2) Add certain non-recurring charges to the Company's Schedule No. M.

Applicant is requesting this Application be processed under the Commissions Rules of Modified Procedure. Applicant further requests an Order of the Commission authorizing the new rates be effective for all water delivered after the first meter reading on or about September 10, 2009.

GENERAL

Applicant is a public utility water corporation within the meaning of the Idaho Public Utility Law, is duly organized and existing under the laws of the State of Idaho and is engaged in conducting a general water utility business in an area generally north of the City of Ammon and northeast of the City of Idaho Falls in Bonneville County, Idaho, having its principal office and place of business at 2180 North Deborah Drive, Idaho Falls, Idaho. A copy of Applicant's Articles of Incorporation together with all amendments to date is on file with the Commission. Applicant's current Certificate of Convenience and Necessity is Certificate No. 236. Currently the Company provides water service to over 3,600 residential and commercial customers.

GENERAL RATE INCREASE REQUEST

Enclosed, with this Application, are Exhibits Number 1 through 9 in support of the increase in water revenue requested. Applicant is proposing the year 2008 as the test year in this case adjusted to normalize and proform the test year for known and measurable changes that have or will occur in the near future.

RATE BASE

Exhibit No. 1 presents the Company's calculation of rate base. Column (A) of this exhibit presents the balances of accounts on the books of the Company at December 31, 2008. Columns (B), (C), (D) and (E) are adjustments to the year end account balances to include assets put into service during 2009. Column (F) presents Applicant's proforma rate base of \$1,856,499.20.

Column (B) is an adjustment to recognize the costs for the Company's new Well #9, which went into service in May 2009, and includes new water rights acquired. The total adjustments to the rate base for the new well and water rights are \$752,969.39.

Column (C) is an adjustment to recognize the costs of meters and MXU transmitters that have or will be installed in 2009 to continue the Company's long-term asset replacement and upgrade program. The costs are for 300 new meters and 300 MXU transmitters. The adjustment increases rate base by \$85,536.23.

Column (D) presents costs to purchase a new office desk and partitions acquired in 2009 for the new office that the Company moved to in September 2008. The total adjustment to rate base is \$1,535.96.

Column (E) presents the costs to replace a hydrant on the water system in June of 2009. The total adjustment to rate base is \$2,149.70.

Line 14 is an adjustment to depreciation to include the 2009 depreciation on the above asset adjustments using the ½ year convention.

Line 20 is an allowance for working capital equal to 1/8th of operating expenses shown on Exhibit No. 2. Total Rate Base for this case of \$1,856,449.20 is shown on line 21.

RESULTS OF OPERATIONS

Exhibit No. 2 presents the Company's Results of Operations adjusted for known and measurable changes. Column (A) of the exhibit presents the actual recorded results on the Company's books for the year 2008. These actual results are adjusted in Columns (B) through (H) to develop the adjusted results shown in Column (I) that is used to determine the Company's revenue requirement on Exhibit No. 4.

The adjustment shown in Column (B) of Exhibit No. 2 adjusts the Company's revenues and expenses to recognize the elimination of an \$850.00 loss from disposal of a plotter in 2008, the removal of non-recurring consulting expense of \$10,000 from operational expenses, and the removal of a \$40 federal tax refund resulting from filing a correction to the 2006 taxes. This adjustment increases the Company's test year income by \$10,810 shown on line 73.

Column (C) of this exhibit adjusts the Company's labor costs for wage and salary levels which took effect on December 19, 2008. This adjustment decreases the Company's test year income by \$70,809.53 shown on line 64 Column (C).

Column (D) of Exhibit No. 2 recognizes the increased cost of rent for the new office and warehouse space into which the company moved on September 1, 2008. The Company had outgrown its existing space and made the move to consolidate operations in one location to improve communications and efficiency. This adjustment decreases the Company's test year income by \$17,651.22 as shown on line 64 Column (D).

Column (E) of Exhibit No. 2 recognizes the increased premium for liability insurance for the Company. The premium increase was effective July 11, 2009. The adjustment decreases the Company's income by \$1,007.00 as shown in Column (E) line 64.

Exhibit No. 2 Column (F) adjusts the Company's source of supply costs to recognize increases in electric power costs, chemical costs and increases in well site maintenance and fee increases. This adjustment recognizes the effect on electric power and chemical costs for the year-end 2008 level of customers served based upon historical average costs per customer. Contract maintenance and fee increases are based upon current costs. This adjustment decreases the Company's income by \$31,121.18 as shown in Column (E) line 64.

The administrative adjustment shown in Column (G) of Exhibit No. 2 recognizes increased costs of postage, accounting services, and payroll services. This adjustment is based upon the current level of costs adjusted for the year-end level of customers. This adjustment decreases the Company's income by \$2,158.05 shown on line 64 Column (G).

The adjustment shown in Column (H) of Exhibit No. 2 is due to using a composite amortization rate for contributions in aid of construction. This adjustment increases the Company's income by \$3,416.95 as shown on line 64 of Column (H).

Column (I) of Exhibit No. 2 presents the Company's proforma results of operations for use in this case. The proforma results reflect a loss of \$28,144.52 as shown in Column (I) line 64.

COST OF CAPITAL

Exhibit No. 3 presents the Company's capital structure and calculation of the weighted cost of capital as of December 31, 2008. An adjustment to the Company's equity component of the capital structure is shown on line 3. This adjustment is for the State Revolving Loan, of \$1,200,000 at 3.25%, which the Company finalized with DEQ in June 2009. The Company is requesting a return on its common equity of 12%. This return is equal to the return granted the Company in its last case and is the same as returns granted recently by the Commission for other small water companies. The overall weighted cost of capital for Falls Water Company is 4.74%.

REVENUE REQUIREMENT

Exhibit No. 4 presents the calculation of the revenue requirement for Falls Water Company. Lines 1 through 5 of this exhibit develop the net operating deficiency of \$116,200.54 shown on line 5 utilizing the rate base, rate of return and operating results from Exhibits No. 1, 2 and 3. Lines 6 through 9 of Columns (B) and (C) calculate the revenue increase necessary to overcome the income deficiency. The revenue gross-up calculation is performed in two steps. Column (B) calculates the incremental revenue requirement of \$28,694.16 necessary to overcome the Company's operating loss. These incremental revenues will not result in any income tax obligation since the revenue would simply bring the Company to a break even point where revenue equal expenses. The only costs associated with these revenues would be increased exposure to bad debts, increased regulatory fees and increased bank charges for credit card payments. Column (C) calculates the incremental revenue requirement of \$114,802.65 necessary to produce the net operating income requirement of \$88,056.01. These incremental revenues will be subject to income taxes in addition to the bad debt exposure, regulatory fees and bank service charges. The total revenue increase requirement of \$143,496.81 is shown on line 10. This represents an increase in the Company's revenues of 14.39%.

RATE DESIGN

Exhibit No. 5 shows the calculations to develop a rate design that will produce the required revenues. The exhibit presents the annualized revenue that would be produced

by the Company's present rates. Due to the fact that all customers in the water system are currently metered and the Company will not allow new customers to come onto the system without a meter installed, the Company is proposing that the Residential Flat Rate Schedule 2 be cancelled.

Exhibit 5 presents the Applicants proposal to develop new rates. The Company has placed more emphasis on the basic charge in an effort to remedy winter cash flow issues. The Company's current monthly winter billings create a revenue shortfall of approximately \$9,000 each month. Conservation of water has increased as a result of metering the flat rate residential customers. The decrease in the commodity rate should not adversely affect the customers' use of water. The increase to the base rate will minimize the affect of the rate increase to customers during the high use summer months. As shown on lines 26 and 27 of this exhibit, the Company's current base rates produce 59% of revenues and commodity rates produce 41% of revenues. The Company proposal increases the ratio of base charges from 59% to 68% and decreases the ratio of commodity charges from 41% to 32%.

The Company is proposing to increase the base rate for all metered schedules from \$14.00 to \$18.00. This is an increase of 29%. The Company proposes to decrease the commodity rate for all metered schedules from \$0.667/1000 gallons to \$0.601/1000 gallons. This is a decrease of 10%.

The proposed rate design will produce \$1,140,570.54 in revenues. The revenue generated is within \$31.18 of the revenue requirement of \$1,140,539.36. As shown on Exhibit 5, lines 28 through 30, the average residential metered customer will experience an increase in their average bill of approximately 14.88%. The average multifamily residential customer will experience a increase in their average bill of 8.51%. The average commercial customer will experience a increase in their average bill of 4.22%.

SCHEDULE NO. M – NON-RECURRING CHARGES

Meter Test at Customer Request Fee

The Company requests a new charge for testing meters. At the beginning of the summer irrigation period, many customers question the usage being billed. As the number of customers has increased over the years, the Company has spent more time testing meter accuracy. The Company uses the meter manufacturer's accuracy specification of plus or minus 1.5% to gauge when a meter needs to be replaced due to being inaccurate. Rarely does the meter test outside of the manufacturer's accuracy specification. When the meter tests inaccurate, the meter is replaced and if the meter read higher than it should the customer's billing is adjusted accordingly.

The time and resources used to test meters, which overwhelmingly test accurate, could be put to better use maintaining the water system and benefitting a larger number of customers. The Company proposes that it be permitted to charge a meter test fee of \$10.00 to customers who want the meter's accuracy tested and the results of the test are within the manufacturer's specification of plus or minus 1.5% of the factory calibrated

test meter. This would place the burden of cost on the customers responsible for the costs incurred by the Company and remove it from being wholly subsidized by all customers of the Company. If the customer's meter tests outside of the manufacturer's specification, the Company will replace the meter, adjust the customer's billing, if the customer's meter is over reading, and waive the \$10.00 meter test fee.

The Commission approved a similar fee for United Water Idaho Inc. under their Schedule No. 5 Miscellaneous Fees and Charges item number 6, effective August 2, 2005.

Returned Check Charge

The Company requests a new charge of \$20.00 per occurrence for returned checks. The fee would apply to all customers where the customer's check or bank draft is returned by the bank for insufficient funds, closed account, or some other appropriate reason.

The Company, currently, uses a collection agency to collect the returned checks. Many customers prefer to deal directly with the Company instead of the collection agency. The Company has sufficient manpower to handle the returned checks and eliminate the collection agency. This results in improved customer relations because the customers will deal directly with the Company instead of the collection agency. The costs of handling the returned check should be paid by the customer responsible for those costs.

The Commission approved a similar returned check fee for United Water Idaho Inc. under their Schedule No. 5 Miscellaneous Fees and Charges item number 1, effective August 2, 2005.

Late Payment Charge

The Company seeks the Commission's approval to include on the Company's Schedule M a late payment charge of 1% per month (12% APR).

The Company cannot proceed with the collection process on past due balances if "The customer's unpaid bill cited as grounds for termination totals less than fifty dollars (\$50) or two (2) months' charges for service, whichever is less." (Utility Customer Relations Rules IDAPA 31.21.01.310.01). The customer must use at least 66,000 gallons in a billing cycle under current rates to receive a bill of \$50.00 and thus allow the Company to begin collection on the customer's past due balance,. The only months in which customers use that much water in a billing cycle is during the summer months from June through September. The remaining eight months of the year, the average customer is below that amount of usage and is generally being billed only the minimum charge because their usage is 12,000 gallons or less.

Due to the low minimum billing amount, the company is unable to do collections until the customers' account balance includes two months of past due charges. Many customers will pay their bill every other month simply because it is a small amount and

no penalty is assessed for not paying their bill in a timely manner. (Applicant is providing a work paper (AR Aging) for the Commission Staff's review which details the monthly past due balances for 2008 and the first half of 2009.) The average monthly percentage of customers with past due balances is 20%. One in five customers is not paying their billings by the due date. The past due data is taken from month end reports and the billing due date is on the 15th of the month.

The Company will send 7-day notices to 3% to 9% of its customers each month. The remaining 11% to 17% of the average 20% of customers with past due balances each month have no incentive to pay their past due balance. A late payment charge would encourage some of the customers to pay their bill in a timely manner. The results of this would include having fewer customers on the Company's collections list, less manpower and company resources going to the collections process, and improved cash flow for the Company.

CUSTOMER NOTIFICATION & PRESS RELEASE

Exhibit 6 is a copy of the notice mailed to the Company's customers informing them of the rate case.

Exhibit 7 is a copy of the press release e-mailed to the Post Register newspaper in Idaho Falls, Idaho on August 3, 2009.

TARIFFS

Exhibit No. 8, a five (5) page exhibit, is a marked-up copy of the Company's current rate schedules showing the proposed changes in rates for Schedules R-1, R-2, R-3, C-2 and M. Exhibit No. 9, a five (5) page exhibit is composed of the Company's new proposed rate schedules,

CONTACT INFORMATION

Questions regarding this application should be addressed to:

K Scott Bruce, General Manager
Falls Water Co.
2180 N Deborah Dr.
Idaho Falls, Idaho 83401

Robert E. Smith
2209 N. Bryson Rd.
Boise, Idaho 83713

Ph: (208) 522-1300
e-mail scott1@fallswater.com

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

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

Respectfully submitted,

K. Scott Bruce

K. Scott Bruce
General Manager

EXHIBIT 1

Falls Water Company
Calculation of Rate Base

	(A) Year-End 12/31/2008	(B) Costs for Well #9 put in Service in 2009	(C) 2009 Meter Installs	(D) 2009 Office Improvements	(E) 2009 Hydrant Replacement	(F) Total
Plant in Service						
1 303 - Land & Land Rights	1,670,155.78	591,305.67				\$ 2,261,461.45
2 304 - Well Structures & Improvements	346,177.70	140,753.80				\$ 486,931.50
3 307 - Wells	398,430.88	2,000.00				\$ 400,430.88
4 310 - Generators	16,693.04					\$ 16,693.04
5 311 - Pumps & Accessories	376,870.06	18,909.92				\$ 395,779.98
6 320 - Separators	23,625.85					\$ 23,625.85
7 331 - Water Mains	906,136.08					\$ 906,136.08
8 334 - Meters	918,324.36		85,536.23			\$ 1,003,860.59
9 335 - Hydrants	48,221.11			2,149.70		\$ 50,370.81
10 340 - Office Equipment	33,624.51		1,535.96			\$ 35,160.47
11 341 - Transportation Equipment	60,606.64					\$ 60,606.64
12 343 - Tools & Equipment	24,049.05					\$ 24,049.05
13 Total Plant in Service	4,822,915.06	752,969.39	85,536.23	1,535.96	2,149.70	\$ 5,665,106.34
14 Less Accumulated Depreciation	717,149.91	2,694.40	4,276.81	153.60	35.83	724,310.54
15 Net Plant in Service						\$ 4,940,795.80
Less Contributions in Aid of Construction						
16 Gross Contributions (12/31/2008)	3,397,236.77					
17 Less Accumulated Amortization	(199,877.13)					
18 Net Contributions in Aid of Construction						3,197,359.64
19 Net Plant in Service						1,743,436.16
20 Working Capital (1/8 of Operation and Maintenance Expense)						113,013.04
21 Rate Base						<u>1,856,449.20</u>

Falls Water Co., Inc.
Proforma Results of Operations

	(A) Jan - Dec 08	(B) Adjustment for Non-Recurring Items	(C) Increased Labor Costs	(D) Increased Office Rent Costs	(E) Increased Liab. Ins. Costs	(F) Increased Source of Supply Costs	(G) Increased Miscellaneous Operating Costs	(H) Decreased Depreciation Costs	(I) Proforma
Ordinary Income/Expense									
Income									
400 · Operating Revenue	22,947.31								22,947.31
460 · Unmetered Revenue	939,230.56								939,230.56
461.1 · Metered Residential	32,074.68								32,074.68
461.2 · Commercial Revenue	2,790.00								2,790.00
474 · Other Utility Revenue	997,042.55								997,042.55
Total 400 · Operating Revenue	996,192.47								997,042.55
6 414 · Gain (Loss) on Property	(850.08)	850.08							
Total Income	996,192.47	850.08							997,042.55
Expense									
8 601.5 · Labor Field	131,837.33		41,782.98						173,620.31
10 601.7 · Labor Meter Reading	2,297.40		1,409.85						3,707.25
11 601.8 · Labor Office	54,426.14		801.46						55,227.60
12 601.9 · Admin - Labor	104,399.21		5,200.87						109,600.08
13 604 · Employee Benefits	64,016.99		8,784.23						72,801.22
14 610 · Purchased Water	1,112.00								1,112.00
15 615 · Electrical Power	96,596.28					30,025.33			126,621.61
16 618 · Chemicals	6,336.87					1,095.85			7,432.72
17 620.2 · Source M&S	17,920.77								17,920.77
18 620.6 · Distribution M&S	63,677.49								63,677.49
19 620.7 · Postage	15,907.45								15,907.45
20 620.8 · Office	31,644.03								31,644.03
21 620.81 · Telephone Expense	12,960.01					1,148.15			14,108.16
22 620.82 · Bank service charges	3,829.01			(1,834.82)					2,000.00
23 620.83 · Office Utilities Expense	4,175.61								4,175.61
24 631.1 · Engineering	1,620.00								1,620.00
25 631.2 · Accounting	2,605.00								2,605.00
26 631.4 · Payroll Services	2,510.60								2,510.60
27 635 · Testing	9,865.63								9,865.63
28 636.2 · Source Contract Repairs	839.58								839.58
29 636.3 · Trash	1,039.57								1,039.57
30 636.4 · Outsourced Bad Debt Collection	269.79								269.79
31 636.6 · Distribution Contract Repairs	28,055.57								28,055.57
32 636.7 · Data Processing	4,227.50								4,227.50
33 636.8 · Contract Service - Consulting	10,000.00	(10,000.00)							
34 641 · Rental of Property	24,198.00								24,198.00
35 642 · Rental of Equipment	20,700.60								20,700.60
36 650 · Transportation Expense	32,985.78								32,985.78
37 656 · Insurance Expense	14,311.00				1,007.00				15,318.00
38 656.1 · Workers Compensation Ins	7,436.85								7,436.85
39 660 · Advertising Expense	3,521.82								3,521.82
40 666 · Rate Case Amort	510.00								510.00
41 670 · Bad Debt Expense	13,612.33								13,612.33
42 675.2 · Dues & Publications	968.00								968.00
43 675.4 · IDHW Fee Expense	10,987.97								10,987.97
Total Expense	801,402.18	(10,000.00)	60,764.73	17,651.22	1,007.00	31,121.18	2,158.05	-	904,104.36
45 Net Ordinary Income	194,790.29	10,850.08	(60,764.73)	(17,651.22)	(1,007.00)	(31,121.18)	(2,158.05)	-	92,938.19

Falls Water Co., Inc.
Proforma Results of Operations

	(A) Jan - Dec 08	(B) Adjustment for Non-Recurring Items	(C) Increased Labor Costs	(D) Increased Office Rent Costs	(E) Increased Liab. Ins. Costs	(F) Increased Source of Supply Costs	(G) Increased Miscellaneous Operating Costs	(H) Decreased Depreciation Costs	(I) Proforma
46 Other Income/Expense									
47 Other Income									
48 421 - Non-Utility Income									
49 Total Other Income									
50 Other Expense									
51 403 - Depreciation Expense	78,210.20						(3,416.95)	74,793.25	
52 408 - Taxes									
53 408.11 - Property Taxes	16,766.01							16,766.01	
54 408.12 - Payroll Taxes	19,458.66		10,044.80					29,503.46	
55 409.10 - Fed Income Tax	(40.00)	40.00							
56 409.11 - State Income Tax	20.00							20.00	
57 Total 408 - Taxes	36,204.67	40.00	10,044.80					46,289.47	
58 408.10 - Regulatory Fee									
59 426 - Misc. Non-Utility Expenses									
60 426.1 - Donations - Tax Deductible									
61									
62 Total Other Expense	114,414.87	40.00	10,044.80				(3,416.95)	121,082.72	
63 Net Other Income	(114,414.87)	(40.00)	(10,044.80)				3,416.95	(121,082.72)	
64 Net Income	80,375.42	10,810.08	(70,809.53)	(17,651.22)	(1,007.00)	(31,121.18)	3,416.95	(28,144.52)	

EXHIBIT 3

Falls Water Company, Inc.
 Capital Structure and Overall Rate of Return
 Weighted Cost of Capital as of December 31, 2008

Description	(A) Per Company Books	(B) Ratio	(C) Cost	(D) Weighted Cost
1 Total Long Term Debt - Loan # DW-9923	\$238,184	13.19%	3.25%	0.43%
2 Long Term Loan - FPG	\$86,228	4.78%	6.00%	0.29%
3 Proforma Long Term Debt (Well #9 & Water Right)	\$1,200,000	66.47%	3.25%	2.16%
4 Common Equity	\$281,007	15.56%	12%	1.87%
5 Total	\$1,805,420	100.00%		4.74%

EXHIBIT 4

FALLS WATER COMPANY
CALCULATION OF REVENUE REQUIREMENT

	(A)	(B)	(C)
1 Rate Base	\$ 1,856,449.20		
2 Rate of Return	4.74%		
3 Net Operating Income Requirement	<u>\$ 88,056.01</u>		
4 Net Operating Income Realized	<u>(28,144.52)</u>		
5 Net Operating Income Deficiency	\$ 116,200.54		
Revenue Requirement Increase		Non-Tax	Taxable
6 Overcome Loss		\$ 28,144.52	
7 Subject to Income Tax			\$ 88,056.01
8 Gross-up Factor		102%	130%
9 Revenue Increase Requirement		<u>\$ 28,694.16</u>	<u>\$ 114,802.65</u>
10 Total Revenue Increase Required			\$ 143,496.81
11 Adjusted Test Year Revenue			<u>997,042.55</u>
12 Percent Increase Required			14.39%

**Falls Water Company, Inc.
Net to Gross Multiplier**

Net Deficiency	100%
Less Bad Debts (percentage of Gross Revenue)	1.3653%
Less PUC Fees (percentage of Gross Revenue)	0.1662%
Less Bank Service Charge Fees (percentage of Gross Revenue)	<u>0.3840%</u>
Taxable Amount	98.0845%
State Income Tax Rate @ 8%	<u>7.8468%</u>
Federal Taxable	90.2377%
Federal Income Tax Rate @ 15%	<u>13.5357%</u>
Net After Tax	76.7021%
Net Income to Gross Revenue Multiplier	130%
Gross-up Factor to overcome loss	102%

Falls Water Company Calculation of Rate by Customer Class At Proposed Rates

Metered Commercial:

1	Number of Customers	62		
2	X Proposed Rate of \$18.00	<u>\$ 1,116.00</u>		
3	X 12 Months		\$ 13,392.00	
4	Annual Excess Usage in 1000's of Gallons	33,684		
5	Annual Excess @ \$0.601 per 1000 gal.		<u>\$ 20,244.08</u>	
6	Total for Metered Commercial			\$ 33,636.08

Metered Residential & Multi-family Residential:

7	Multi-family Residential:			
8	Number of Customers	71		
9	X Proposed Rate of \$18.00	<u>\$ 1,278.00</u>		
10	X 12 Months		\$ 15,336.00	
11	Annual Excess Usage in 1000's of Gallons	23,885		
12	Annual Excess @ \$0.601 per 1000 gal.		<u>\$ 14,354.97</u>	
13	Total for Metered Residential			\$ 29,690.97

Metered Residential:

14	Number of Customers	3,460		
15	X Proposed Rate of \$18.00	<u>\$ 62,280.00</u>		
16	X 12 Months		\$ 747,360.00	
17	Annual Excess Usage in 1000's of Gallons	548,891		
18	Annual Excess @ \$0.601 per 1000 gal.		<u>\$ 329,883.49</u>	
19	Total for Metered Residential			\$ 1,077,243.49

20 Total Revenue at Proposed Rates \$ 1,140,570.54

21 Total Gross Revenue Requested 1,140,539.36
 22 Variance of Gross Revenue from Proposed Rates Over/(Under) \$ 31.18

Proposed Rates:			
23	Metered Customer - Base Charge for 12,000 Gal	\$ 18.00	
24	Metered Customer Commodity Charge	\$ 0.601	
25	Rates as a percentage of gross revenues:	Proposed	Present
26	Base Charge - Fixed	68%	59%
27	Commodity - Variable	32%	41%

Rate Tariff	Tariff Description	Avg Monthly Bill at the Present Rates	Avg Monthly Bill at the Proposed Rate	Percentage of Change From Present	Percentage of Total Customers
28 R-1	Metered Residential Customers	\$ 22.58	\$ 25.95	14.88%	96%
29 R-3	Metered Multi-Family Residential Customers	\$ 32.12	\$ 34.85	8.51%	2%
30 C-2	Metered Commercial Customers	\$ 43.38	\$ 45.21	4.22%	2%

NOTICE TO FALLS WATER CO., INC. CUSTOMERS

During the week of August 3, 2009, Falls Water Co., Inc. filed an application with the Idaho Public Utilities Commission (IPUC) for a proposed general rate increase to become effective September 10, 2009. The filing is a proposal, subject to public review and a Commission decision before it can take effect.

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

If the proposed rate increases are approved, the average metered residential customer's annual rates would increase from \$22.58 per month to \$25.95 per month an average monthly increase of \$3.37 per month or 14.88%. Average metered commercial customer's rates would increase from \$43.38 per month to \$45.21 per month an average increase of \$1.83 per month or 4.22%. Multi-family residential customer's rates would increase from \$32.12 per month to \$34.85 per month an average increase of \$2.73 per month or 8.51%.

If approved the proposed increase would increase the Company's total annual revenues by \$143,496.81 (14.39%). A copy of the application is available for review at Falls Water Co., Inc.'s office located at 2180 North Deborah Drive in Idaho Falls or on our website, www.fallswater.com. Copies of the application are on file at the Idaho Public Utilities offices at 472 West Washington Street, Boise, Idaho 83702. The application is also available for review on the Commission's web site at www.puc.idaho.gov. 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.
2180 North Deborah Drive
Idaho Falls, ID 83401
(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.idaho.gov/comments-complaints/choose%20form.htm>

Please refer to Case No. FLS-W-09-1 in all correspondence.

News Press Release

Falls Water Co., Inc. is a privately owned water utility serving over 3,600 homes and businesses north of the City of Ammon and east of Idaho Falls. It is regulated by the Idaho Public Utilities Commission (IPUC) and has filed an application for a proposed general rate increase with the IPUC. The application was filed on August 3, 2009 and requests the increase to become effective September 10, 2009. The filing is a proposal, subject to public review and a Commission decision before it can take effect.

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

If the proposed rate increases are approved, the average metered residential customer's annual rates would increase from \$22.58 per month to \$25.95 per month an average monthly increase of \$3.37 per month or 14.88%. Average metered commercial customer's rates would increase from \$43.38 per month to \$45.21 per month an average increase of \$1.83 per month or 4.22%. Multi-family residential customer's rates would increase from \$32.12 per month to \$34.85 per month an average increase of \$2.73 per month or 8.51%.

If approved the proposed increase would increase the Company's total annual revenues by \$143,496.81 (14.39%). A copy of the application is available for review at Falls Water Co., Inc.'s office located at 2180 North Deborah Drive in Idaho Falls or on our website, www.fallswater.com. Copies of the application are on file at the Idaho Public Utilities offices at 472 West Washington Street, Boise, Idaho 83702. The application is also available for review on the Commission's web site at www.puc.idaho.gov. 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.
2180 North Deborah Drive
Idaho Falls, ID 83401
(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.idaho.gov/comments-complaints/choose%20form.htm>

Please refer to Case No. FLS-W-09-1 in all correspondence.

EXHIBIT 8

Tariff No. 2	
P.U.C.I. No. Canceling P.U.C.I. No.	Original Sheet No.
Name of Utility	
FALLS WATER COMPANY, INC.	

SCHEDULE NO. R-2

RESIDENTIAL FLAT RATE SERVICE

RATE: \$20.17 PER MONTH

~~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.~~

DELETE SCHEDULE NO. R-2

Issued: **April 28, 2006**

Effective: **April 1, 2006**

Issued by **FALLS WATER COMPANY, INC.**

By _____ Title **GENERAL MANAGER**

K. Scott Bruce

EXHIBIT 8

Tariff No. 3	
P.U.C.I. No. Canceling P.U.C.I. No. Original Sheet No.	
Name of Utility	
FALLS WATER COMPANY, INC.	

SCHEDULE NO. R-3

RESIDENTIAL MULTI-FAMILY

RATE: ~~\$14.00~~ \$18.00 PER BILLING CYCLE (APPROXIMATELY
30 DAY PERIOD) MINIMUM CHARGE ~~\$0.667~~ \$0.601 PER
THOUSAND GALLONS ADDITIONAL FOR ALL WATER
USED IN EXCESS OF 12,000 GALLONS PER BILLING
CYCLE.

METERS ARE READ YEAR ROUND.

**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.**

Issued: January 11, 2008	Effective: January 14, 2008
Issued by FALLS WATER COMPANY, INC. By _____ Title GENERAL MANAGER K. Scott Bruce	

EXHIBIT 8

Tariff No. 4	
P.U.C.I. No. Canceling P.U.C.I. No.	Original Sheet No.
Name of Utility	
FALLS WATER COMPANY, INC.	

SCHEDULE NO. C-2

METERED COMMERCIAL SERVICE READ YEAR-ROUND

RATE: ~~\$14.00~~ \$18.00 PER BILLING CYCLE (APPROXIMATELY
30 DAY PERIOD) MINIMUM CHARGE ~~\$0.667~~ \$0.601 PER
THOUSAND GALLONS ADDITIONAL FOR ALL WATER
USED IN EXCESS OF 12,000 GALLONS PER BILLING
CYCLE.

AVAILABLE TO ALL NON-RESIDENTIAL CUSTOMERS.

Issued: January 11, 2008	Effective: January 14, 2008
Issued by FALLS WATER COMPANY, INC. By _____ Title GENERAL MANAGER K. Scott Bruce	

