



FALLS WATER COMPANY

2180 N. Deborah Dr., Idaho Falls, Idaho 83401

Tel.: (208) 522-1300

Website: www.fallswater.com

Fax: (208) 522-4099

January 30, 2012

Idaho Public Utilities Commission
ATTN: Commission Secretary
472 West Washington Street
Boise, Idaho 83702-5983

RECEIVED
2012 JAN 30 PM 1:26
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 January 31, 2012. The Company will send a news release to the Post Register Newspaper in Idaho Falls on January 31, 2012. Copies of the notices are enclosed as Exhibits 6 & 7.

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

2012 JAN 30 PM 1:26

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-12-1
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 February 29, 2012. 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 26.52%. The Company is proposing to increase its metered rates and reduce the included maximum gallons allowed, as ordered in Commission Order No. 31022 (Case No. FLS-W-09-1), as follows:

Meter Size	Current Rate	Proposed Rate	% Change
3/4" or smaller	\$16.10 for up to 12,000 gallons	\$19.18 for up to 5,000 gallons	19.1% Increase
1"	\$22.54 for up to 17,000 gallons	\$26.85 for up to 7,000 gallons	19.1% Increase
1 1/2"	\$28.98 for up to 22,000 gallons	\$34.52 for up to 9,000 gallons	19.1% Increase
2"	\$37.03 for up to 28,000 gallons	\$44.11 for up to 12,000 gallons	19.1% Increase
4"	\$66.01 for up to 49,000 gallons	\$78.64 for up to 20,000 gallons	19.1% Increase
Commodity Rate per 1,000 gallons	\$0.611	\$0.67	9.7% Increase

2) The Company proposes it be allowed to read meters year round on all of its metered rate schedules. The Company last increased its basic rates and charges pursuant to Commission Order No. 31022 (Case No. FLS-W-09-1) dated March 10, 2010;

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 February 29, 2012.

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 3,900 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 2011 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, 2011. Column (B) is the adjustment to the year-end account balances to include assets put into service during 2012. Column (C) presents Applicant's proforma rate base of \$2,545,287.78.

Column (B) is an adjustment to recognize the costs incurred by the Company to replace manually read meters with new touch read meters and install radio transmitter units (MXU's) on all meters not already so equipped. The meter and MXU installations were completed January 13, 2012. The total adjustment to the rate base for the installation of meters and MXU's is \$839,878.35.

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 \$2,545,287.78 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 2011. These actual results are adjusted in Columns (B) through (G) to develop the adjusted results shown in Column (H) 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 \$158.33 loss on the sale of a 1986 Ford F-350, the removal of non-recurring employee benefit expense of \$4,191.00 from operational expenses, the cost of mailing customer notices regarding this rate case amortized over a two year period for \$1,054.19 each year, the removal of \$3,619.41 for nonrecurring Non-Utility Income, and the removal of \$19,879.53 for nonrecurring Non-Utility Expenses. This adjustment increases the Company's test year income by \$19,555.26 shown on line 64.

Column (C) of this exhibit adjusts the Company's labor costs for wage and salary levels which took effect on December 21, 2011. This adjustment decreases the Company's test year income by \$39,065.90 shown on line 64 Column (C).

Column (D) of Exhibit No. 2 recognizes the increased rental cost of the office and warehouse space, \$4,255.30. The Company now rents all 8,000 square feet of office and warehouse space in the building, whereas it had rented only 4,000 square feet of the building. Bank service charges increase \$3,737.75 due to adding an online bill pay option as requested by our customers. Office utilities expense increases \$2,234.98 due to the new rental office agreement. Trash expense increases \$1,041.55 for trash service at the main office. Data processing increases \$1,317.00 due to increased costs for software maintenance agreements. These adjustments decrease the Company's test year income by \$12,586.57 as shown on line 64 Column (D).

Column (E) of Exhibit No. 2 adjusts the Company's source of supply costs to recognize increases in electric power costs, chemical costs and increases in water sample test costs. This adjustment recognizes the effect on electric power and chemical costs for the year-end 2011 level of customers served based upon historical average costs per customer. Water sample testing costs are averaged over the nine year test cycle plan outlined by the Department of Environmental Quality. The increases are based upon current costs. This adjustment decreases the Company's income by \$36,239.53 as shown in Column (E) line 64.

Exhibit No. 2 Column (F) adjusts the Company's Non-Utility Income to annualize rental income from Company property currently under a lease agreement. This adjustment increases the Company's income by \$426.00 as shown in Column (E) line 64.

The adjustment shown in Column (G) of Exhibit No. 2 is due to the additional depreciation expense resulting from the meter and MXU upgrade completed in January

2012. This adjustment decreases the Company's income by \$84,210.10 as shown on line 64 of Column (G).

Column (H) of Exhibit No. 2 presents the Company's proforma results of operations for use in this case. The proforma results reflect a loss of \$35,935.09 as shown in Column (H) 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, 2011. The overall weighted cost of capital for Falls Water Company is 7.75%.

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 \$233,076.64 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 \$36,811.59 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 \$258,248.16 necessary to produce the net operating income requirement of \$197,141.55. 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 \$295,059.75 is shown on line 10. This represents an increase in the Company's revenues of 26.52%.

RATE DESIGN

Exhibit 5 presents the Applicants proposal to develop new rates. The proposed rates are shown in the table below:

Meter Size	Current Rate	Proposed Rate
¾" or smaller	\$16.10 for up to 12,000 gallons	\$19.18 for up to 5,000 gallons
1"	\$22.54 for up to 17,000 gallons	\$26.85 for up to 7,000 gallons
1 ½"	\$28.98 for up to 22,000 gallons	\$34.52 for up to 9,000 gallons
2"	\$37.03 for up to 28,000 gallons	\$44.11 for up to 12,000 gallons
4"	\$66.01 for up to 49,000 gallons	\$78.64 for up to 20,000 gallons
Commodity Rate per 1,000 gallons	\$0.611	\$0.67

The average ¾" metered customer's bill will increase 26.8%. The average 1" metered customer's bill will increase 24.3%. The average 1 ½" metered customer's bill will

increase 26.1%. The average 2" metered customer's bill will increase 27.8%. The average 4" metered customer's bill will increase 28.1%

As shown on lines 35 and 36 of this exhibit, the Company's proposal decreases the ratio of base charges from 66% to 65% and increases the ratio of commodity charges from 34% to 35%.

The proposed rate design will produce \$1,407,749.70 in revenues. The revenue generated is within \$78.59 of the revenue requirement of \$1,407,671.11. As shown on Exhibit 5, lines 1 through 14, the average customer will experience an increase in their average bill of approximately 26.8%.

YEAR ROUND METER READING

The Company currently reads residential customers monthly starting in April and takes the last monthly reading in October. All multi-family and commercial customers are read monthly year round.

The Company proposes that it be allowed to read meters on all customers year round. In the past, residential customers were not read during the winter months because access to meters was difficult due to snow. The Company has completed a system wide meter upgrade that installed radio read units on all meters. The Company now has the means to read the meters during the winter. The benefits to the customer of winter reads are 1) they will be made aware of plumbing leaks sooner, 2) with the reduction of water allowed in the minimum rate, excess usage is a real possibility and the customer would be financially more capable of paying for the overages as they are incurred rather than being billed in April for water excess usages that have been accruing since the prior October reading.

Currently the customers, whose plumbing develops a leak during the winter often will not know of the leak until they receive their April billing and see that 200,000 or more gallons have passed through the meter during the prior six months. Catching these leaks early would assist in conserving water.

The reading of the meters currently is done by the full-time servicemen during the summer months. No additional labor costs would be incurred to read the meters during the winter.

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 January 31, 2012.

TARIFFS

Exhibit No. 8, a three (3) page exhibit, is a marked-up copy of the Company's current rate schedules showing the proposed changes in rates for Schedule No.1 and the new Schedule No. 3 for Private Fire Sprinkler and Service. Exhibit No. 9, a three (3) 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

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

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

Respectfully submitted,



K. Scott Bruce
General Manager

EXHIBIT 1

Falls Water Company
Calculation of Rate Base

	(A)	(B)	(C)
	Year-End 12/31/2011	Meter Proj Completed in 2012	Total
Plant in Service			
1 303 - Land & Land Rights	2,213,824.33		\$ 2,213,824.33
2 304 - Well Structures & Improvements	488,781.50		\$ 488,781.50
3 307 - Wells	401,930.88		\$ 401,930.88
4 310 - Generators	16,693.04		\$ 16,693.04
5 311 - Pumps & Accessories	419,991.71		\$ 419,991.71
6 320 - Separators	48,554.14		\$ 48,554.14
7 331 - Water Mains	906,136.08		\$ 906,136.08
8 334 - Meters	985,253.27	839,878.35	\$ 1,825,131.62
9 335 - Hydrants	59,848.75		\$ 59,848.75
10 340 - Office Equipment	60,518.83		\$ 60,518.83
11 341 - Transportation Equipment	138,402.98		\$ 138,402.98
12 343 - Tools & Equipment	26,857.88		\$ 26,857.88
13 Total Plant in Service	<u>5,766,793.39</u>	<u>839,878.35</u>	<u>\$ 6,606,671.74</u>
14 Less Accumulated Depreciation	1,589,467.25		<u>1,589,467.25</u>
15 Net Plant in Service			<u>\$ 5,017,204.49</u>
Less Contributions in Ad of Construction			
16 Gross Contributions (12/31/2011)	3,492,484.70		
17 Less Accumulated Amortization	<u>(903,899.11)</u>		
18 Net Contributions in Aid of Construction			2,588,585.59
19 Net Plant in Service			2,428,618.90
20 Working Capital (1/8 of Operation and Maintenance Expense)			<u>116,668.88</u>
21 Rate Base			<u>2,545,287.78</u>

EXHIBIT 2

Falls Water Co., Inc
Proforma Results of Operations

	(A) Jan - Dec 2011	(B) Adjustment for Non-Recurring Items	(C) Increased Labor Costs	(D) Increased Miscellaneous Operating Costs	(E) Increased Source Production Costs	(F) Increased Property Rental Revenue	(G) Increased Depreciation Costs	(H) Adjusted Totals
Ordinary Income/Expense								
Income								
400 · Operating Revenue	1,030,460.52							1,030,460.52
461.1 · Metered Residential	41,778.43							41,778.43
461.2 · Commercial Revenue	32,740.07							32,740.07
461.5 · Multiple Family Cust Revenue	4,508.44							4,508.44
470 · Late Payment Fee Revenues	3,123.90							3,123.90
471 · Misc Service Revenues	1,112,611.36							1,112,611.36
Total 400 · Operating Revenue	-158.33	158.33						0.00
414 · Gain (Loss) on Property	1,112,453.03	158.33	0.00	0.00	0.00	0.00	0.00	1,112,611.36
Expense								
601.5 · Labor Field	154,166.08		12,953.92					167,120.00
601.8 · Labor Office	21,036.10		8,603.90					29,640.00
601.9 · Admin - Labor	167,100.12		6,899.88					174,000.00
604 · Employee Benefits	76,057.33	(4,191.00)	1,568.31					73,434.64
610 · Purchased Water	3,300.38							3,300.38
615 · Electrical Power	119,395.66				31,010.45			150,406.11
618 · Chemicals	4,548.40				2,503.70			7,052.10
620.2 · Source M&S	9,950.75							9,950.75
620.6 · Distribution M&S	28,491.48							28,491.48
620.7 · Postage	20,393.40							20,393.40
620.8 · Office	26,592.17							26,592.17
620.81 · Telephone Expense	10,992.18							10,992.18
620.82 · Bank service charges	9,276.83			3,737.75				13,014.58
620.83 · Office Utilities Expense	4,774.19			2,234.98				7,009.17
631.1 · Engineering	330.00							330.00
631.2 · Accounting	2,785.00							2,785.00
631.4 · Payroll Services	255.00							255.00
635 · Testing	3,428.00							3,428.00
635.2 · Source Contract Repairs	965.22				2,725.39			3,690.61
636.3 · Trash	1,061.49							1,061.49
636.4 · Outsourced Bad Debt Collection	314.64			1,041.55				1,356.19
636.6 · Distribution Contract Repairs	9,932.38							9,932.38
636.7 · Data Processing	4,745.00							4,745.00
641 · Rental of Property	49,696.70							49,696.70
642 · Rental of Equipment	31,474.28							31,474.28
650 · Transportation Expense	37,815.78							37,815.78
656 · Insurance Expense	18,993.00							18,993.00
656.1 · Workers Compensation Ins	8,361.90							8,361.90
660 · Advertising Expense	683.47							683.47
666 · Rate Case Amortization	-	1,054.19						1,054.19
670 · Bad Debt Expense	10,921.47							10,921.47
675.1 · Training Expenses	522.00							522.00
675.2 · Dues & Publications	1,180.06							1,180.06
675.4 · IDHW Fee Expense	16,872.50							16,872.50
Total Expense	856,412.96	(3,136.81)	31,248.80	12,586.57	36,239.53	-	-	933,351.06

EXHIBIT 2

Falls Water Co., Inc
Proforma Results of Operations

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
	Jan - Dec 2011	Adjustment for Non-Recurring Items	Increased Labor Costs	Increased Miscellaneous Operating Costs	Increased Source Production Costs	Increased Property Rental Revenue	Increased Depreciation Costs	Adjusted Totals
45 Net Ordinary Income	256,040.07	3,295.14	(31,248.80)	(12,586.57)	(36,239.53)	-	-	179,260.30
46 Other Income/Expense								
47 Other Income								
48 419 · Interest Earned	38.69							38.69
49 421 · Non-Utility Income	8,305.41	(3,619.41)				426.00		5,112.00
50 Total Other Income	8,344.10	(3,619.41)				426.00		5,150.69
51 Other Expense								
52 403 · Depreciation Expense	71,682.02						84,210.10	155,892.12
53 408 · Taxes								
54 408.11 · Property Taxes	24,552.11							24,552.11
55 408.12 · Payroll Taxes	31,392.76		7,817.10					39,209.86
56 409.11 · State Income Tax	20.00							20.00
57 Total 408 · Taxes	55,964.87		7,817.10					63,781.97
58 408.10 · Regulatory Fee	0.00							0.00
59 426 · Misc. Non-Utility Expenses	20,551.53	(19,879.53)						672.00
60 426.1 · Donations - Tax Deductible	0.00							0.00
61 427.3 · Interest Expense	0.00							0.00
62 Total Other Expense	148,198.42	(19,879.53)	7,817.10				84,210.10	220,346.09
63 Net Other Income	-139,854.32	16,260.12	(7,817.10)			426.00	(84,210.10)	-215,195.40
64 Net Income	116,185.75	19,555.26	(39,065.90)	(12,586.57)	(36,239.53)	426.00	(84,210.10)	-36,935.09

EXHIBIT 3

Falls Water Company, Inc.
 Capital Structure and Overall Rate of Return
 Cost of Capital as of December 31, 2011

Line No.	Description	(A) Amount	(B) Percent of Total Capital	(C) Cost	(D) Component
1	Long Term Debt - Loan # DW-9923	\$191,499			
2	Less: Prepayment on principle	\$18,764			
3	Outstanding Loan Amount	<u>\$172,735</u>	7.16%	3.25%	0.23%
4	Long Term Debt (Well #9 & Water Right)	\$1,041,784			
5	Less: Prepayment on principle	\$41,045			
6	Outstanding Loan Amount	<u>\$1,000,739</u>	41.47%	3.25%	1.35%
7	Paid in Capital	\$999,429	41.41%	12.00%	4.97%
8	Common Equity	<u>\$240,435</u>	9.96%	12.00%	1.20%
9	Total	\$2,413,337	100.00%		7.75%

EXHIBIT 4

FALLS WATER COMPANY
CALCULATION OF REVENUE REQUIREMENT

	(A)	(B)	(C)
1 Rate Base	\$ 2,545,287.78		
2 Required Rate of Return	<u>7.75%</u>		
3 Net Operating Income Requirement	\$ 197,141.55		
4 Net Operating Income Realized	<u>(35,935.09)</u>		
5 Net Operating Income Deficiency	\$ 233,076.64		
		<u>Non-Tax</u>	<u>Taxable</u>
6 Revenue Increase necessary to overcome loss		\$ 35,935.09	
7 Revenue Increase Necessary For Income Requirement			\$ 197,141.55
8 Gross-up Factor		<u>102%</u>	<u>131%</u>
9 Revenue Increase Requirement		<u>\$ 36,811.59</u>	<u>\$ 258,248.16</u>
10 Total Revenue Increase Required			\$ 295,059.75
11 Adjusted Test Year Revenue			<u>1,112,611.36</u>
12 Percent Increase Required			26.52%

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

Total Gross Revenues	1.000000
Less Uncollectibles (percentage)	0.009816
Less 2011 Regulatory Fees (percentage)	0.002297
Less Bank Service Charge Fees (percentage)	<u>0.011697</u>
Net Revenue	0.976190
State Income Tax Rate - 8%	<u>0.078095</u>
Federal Income Tax Base	0.898094
Federal Income Tax Rate - 15%	0.134714
Net Operating Revenue	0.763380
Net Income to Gross Revenue Multiplier	1.30996
Gross-up Factor to overcome loss	1.02439

Falls Water Co., Inc.
Calculation of Proposed Rates

Proposed Rates and Usage Allowances	(A) Current Allowed Gallons (in 1,000's)	(B) Current Cycle Minimum Charge	(C) Current Commodity Charge per 1,000 gallons over Allowed	(D) Current Allowance in 1,000's of Gallons	(E) Usage Conversion Rate	(F) Proposed Allowed Gallons (in 1,000's)	(G) Minimum Conversion Rate	(H) Proposed Cycle Minimum Charge	(I) Proposed Commodity Charge per 1,000 gallons over Allowed	(J) Minimum Charge Percentage Increase	(K) Avg Monthly Bill at the Proposed Rate	(L) Avg Monthly Bill at the Current Rate	(M) Avg Monthly Billing Increase from Current Rate	(N) Percentage of Total Customers
1 Residential 5/8 in. & 3/4 in. Meters	12	\$ 16.10	\$ 0.611	12	1.000000	5	1.000000	\$ 19.18	0.67	19.13%	\$ 29.16	\$ 23.00	26.8%	93.67%
2 Residential 1 in. Meters	17	\$ 22.54	\$ 0.611	17	1.41666667	7	1.400000	\$ 26.85	0.67	19.13%	\$ 45.04	\$ 36.23	24.3%	1.95%
3 Residential 1 1/2 in. Meters	28	\$ 28.98	\$ 0.611	28	2.33333333	9	1.800000	\$ 34.52	0.67	19.13%	\$ 69.58	\$ 62.97	10.5%	0.16%
4 Residential 2 in. Meters	22	\$ 37.03	\$ 0.611	22	2.33333333	12	2.300000	\$ 44.11	0.67	19.13%	\$ -	\$ -	0.0%	0.00%
5 Commercial 5/8 in. & 3/4 in. Meters	12	\$ 16.10	\$ 0.611	12	1.000000	5	1.000000	\$ 19.18	0.67	19.13%	\$ 26.56	\$ 21.24	25.0%	1.09%
6 Commercial 1 in. Meters	17	\$ 22.54	\$ 0.611	17	1.41666667	7	1.400000	\$ 26.85	0.67	19.13%	\$ 48.93	\$ 41.11	19.0%	0.16%
7 Commercial 1 1/2 in. Meters	22	\$ 28.98	\$ 0.611	22	1.83333333	9	1.800000	\$ 34.52	0.67	19.13%	\$ 102.50	\$ 88.36	16.0%	0.23%
8 Commercial 2 in. Meters	28	\$ 37.03	\$ 0.611	28	2.33333333	12	2.300000	\$ 44.11	0.67	19.13%	\$ 87.26	\$ 67.38	29.5%	0.05%
9 Commercial 4 in. Meters	49	\$ 66.10	\$ 0.611	49	4.08333333	20	4.100000	\$ 78.64	0.67	19.13%	\$ 84.75	\$ 66.14	28.1%	0.05%
10 MultiFam 5/8 & 3/4 in. Meters	12	\$ 16.10	\$ 0.611	12	1.000000	5	1.000000	\$ 19.18	0.67	19.13%	\$ 33.05	\$ 25.32	30.6%	1.04%
11 MultiFam 1 in. Meters	17	\$ 22.54	\$ 0.611	17	1.41666667	7	1.400000	\$ 26.85	0.67	19.13%	\$ 46.33	\$ 34.59	34.0%	0.73%
12 MultiFam 1 1/2 in. Meters	22	\$ 28.98	\$ 0.611	22	1.83333333	9	1.800000	\$ 34.52	0.67	19.13%	\$ 87.90	\$ 68.71	26.1%	0.03%
13 MultiFam 2 in. Meters	28	\$ 37.03	\$ 0.611	28	2.33333333	12	2.300000	\$ 44.11	0.67	19.13%	\$ 72.14	\$ 56.46	27.6%	0.31%
14 MultiFam 4 in. Meters	49	\$ 66.01	\$ 0.611	49	4.08333333	20	4.100000	\$ 78.64	0.67	19.13%	\$ -	\$ -	0.0%	0.00%

Calculation of Revenues using Proposed Rates

Rates	(A) Active Customers	(B) Proposed Cycle Minimum Charge	(C) Proposed Monthly Revenues from Minimum Charge	Proposed Revenues from Commodity Charge												(O)
				January	February	March	April	May	June	July	August	September	October	November	December	
15 Residential 5/8 in. & 3/4 in. Meters	3,597	\$ 19.18	\$ 68,990.46	\$ 5,360.67	\$ 5,360.67	\$ 5,360.67	\$ 5,360.67	\$ 6,405.87	\$ 28,440.83	\$ 104,976.27	\$ 104,179.64	\$ 104,239.94	\$ 50,420.85	\$ 5,432.36	\$ 5,432.36	
16 Residential 1 in. Meters	75	\$ 26.85	\$ 2,013.90	\$ 170.85	\$ 170.85	\$ 170.85	\$ 170.85	\$ 59.63	\$ 757.10	\$ 4,253.16	\$ 3,668.25	\$ 4,580.12	\$ 2,032.11	\$ 168.17	\$ 168.17	
17 Residential 1 1/2 in. Meters	7	\$ 34.52	\$ 241.67	\$ 7.37	\$ 7.37	\$ 7.37	\$ 7.37	\$ 0.67	\$ 253.26	\$ 751.74	\$ 674.02	\$ 804.67	\$ 416.07	\$ 7.37	\$ 7.37	
18 Residential 2 in. Meters	-	\$ 44.11	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
19 Commercial 5/8 in. & 3/4 in. Meters	42	\$ 19.18	\$ 805.56	\$ 60.30	\$ 60.30	\$ 37.52	\$ 31.49	\$ 64.99	\$ 272.69	\$ 914.55	\$ 674.69	\$ 825.44	\$ 505.18	\$ 128.64	\$ 146.73	
20 Commercial 1 in. Meters	6	\$ 26.85	\$ 161.11	\$ 85.76	\$ 77.72	\$ 58.29	\$ 85.76	\$ 121.94	\$ 81.74	\$ 274.03	\$ 195.64	\$ 269.67	\$ 184.92	\$ 88.11	\$ 66.33	
21 Commercial 1 1/2 in. Meters	9	\$ 34.52	\$ 310.72	\$ 180.23	\$ 241.87	\$ 216.41	\$ 201.67	\$ 178.89	\$ 258.62	\$ 1,677.01	\$ 1,560.38	\$ 1,677.68	\$ 969.49	\$ 89.78	\$ 152.09	
22 Commercial 2 in. Meters	21	\$ 44.11	\$ 926.39	\$ 249.24	\$ 380.56	\$ 326.29	\$ 298.15	\$ 315.57	\$ 540.69	\$ 2,377.83	\$ 2,048.86	\$ 2,518.53	\$ 1,481.37	\$ 183.58	\$ 152.09	
23 Commercial 4 in. Meters	2	\$ 78.64	\$ 157.28	\$ 6.70	\$ 19.43	\$ 10.72	\$ 4.69	\$ 16.08	\$ 8.71	\$ 14.74	\$ -	\$ 6.03	\$ 28.14	\$ 24.12	\$ 7.37	
24 MultiFam 5/8 & 3/4 in. Meters	40	\$ 19.18	\$ 767.20	\$ 209.40	\$ 230.48	\$ 174.20	\$ 196.98	\$ 209.04	\$ 497.81	\$ 1,293.10	\$ 987.58	\$ 1,362.11	\$ 1,008.35	\$ 283.41	\$ 205.69	
25 MultiFam 1 in. Meters	28	\$ 26.85	\$ 751.86	\$ 214.40	\$ 299.49	\$ 223.78	\$ 205.02	\$ 237.18	\$ 487.09	\$ 1,225.43	\$ 1,197.29	\$ 1,029.12	\$ 670.67	\$ 438.85	\$ 317.58	
26 MultiFam 1 1/2 in. Meters	1	\$ 34.52	\$ 34.52	\$ 16.75	\$ 24.12	\$ 18.76	\$ 15.41	\$ 34.84	\$ 71.69	\$ 109.21	\$ 80.40	\$ 85.09	\$ 96.48	\$ 60.97	\$ 26.80	
27 MultiFam 2 in. Meters	12	\$ 44.11	\$ 529.37	\$ 190.95	\$ 111.89	\$ 70.35	\$ 69.68	\$ 139.36	\$ 418.75	\$ 694.79	\$ 676.70	\$ 674.69	\$ 676.03	\$ 221.77	\$ 90.45	
28 MultiFam 4 in. Meters	-	\$ 78.64	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
29 Field Collection Fees*	-	\$ -	\$ -	\$ 105.00	\$ 60.00	\$ 75.00	\$ 90.00	\$ 15.00	\$ 30.00	\$ 60.00	\$ 30.00	\$ 30.00	\$ 45.00	\$ 120.00	\$ -	
30 Reconnect Fee*	-	\$ -	\$ -	\$ 120.00	\$ 40.00	\$ 80.00	\$ 160.00	\$ 220.00	\$ 103.90	\$ 80.00	\$ 180.00	\$ 140.00	\$ 300.00	\$ 100.00	\$ 80.00	
31 Returned Check Fee*	-	\$ -	\$ -	\$ 80.00	\$ 20.00	\$ 100.00	\$ 80.00	\$ 120.00	\$ 20.00	\$ -	\$ -	\$ 180.00	\$ 100.00	\$ 100.00	\$ 80.00	
32 Late Payment Fee*	-	\$ -	\$ -	\$ 278.56	\$ 248.75	\$ 241.84	\$ 234.92	\$ 264.85	\$ 282.00	\$ 286.71	\$ 474.73	\$ 624.92	\$ 651.30	\$ 480.60	\$ 441.26	
33 Total Monthly Revenue		\$ -	\$ 75,690.03	\$ 7,334.48	\$ 7,351.50	\$ 7,172.05	\$ 7,212.66	\$ 8,403.91	\$ 32,524.88	\$ 118,988.57	\$ 116,618.18	\$ 119,047.01	\$ 59,585.96	\$ 7,928.73	\$ 7,321.36	
34 Number of Months to Annualize Monthly Minimum Revenue			12	\$ 83,024.51	\$ 83,041.53	\$ 82,962.08	\$ 82,902.69	\$ 84,093.94	\$ 108,214.91	\$ 194,658.60	\$ 192,308.21	\$ 194,737.04	\$ 135,275.99	\$ 83,618.76	\$ 83,011.39	
35 Annual Revenue from Base Charges		\$ -	\$ 908,280.41													
36 Annual Revenue from Commodity Charges		\$ -	\$ 499,469.29													
37 Total Annual Revenues from Proposed Rates		\$ -	\$ 1,407,749.70													
38 Total Gross Revenue Requested		\$ -	\$ 1,407,671.11													
39 Variance of Gross Revenue from Proposed Rates Over/(Under)		\$ -	\$ 78.59													

* Revenues shown are those collected in 2011 test year.

65% Percentage of Proposed Revenue from Base Charge (Fixed)

35% Percentage of Proposed Revenue from Commodity Charge (Variable)

Excess Use above Allowed based on 2011 Actuals and adjusted to proposed allowances

2011	January	February	March	April	May	June	July	August	September	October	November	December	Total Annual Usage By Rate Class
40 Residential 5/8 in. & 3/4 in. Meters *	8,001	8,001	8,001	8,001	9,561	42,449	156,881	155,492	155,582	75,255	8,108	8,108	643,240
41 Residential 1 in. Meters *	255	255	255	255	89	1,130	6,348	5,475	6,836	3,033	251	251	24,433
42 Residential 1 1/2 in. Meters *	11	11	11	11	1	378	1,122	1,008	1,201	621	11	11	4,395
43 Residential 2 in. Meters	-	-	-	-	-	-	-	-	-	-	-	-	-
44 Commercial 5/8 in. & 3/4 in. Meters	88	90	56	47	97	407	1,365	1,007	1,232	754	192	219	5,554
45 Commercial 1 in. Meters	128	116	87	128	182	122	409	292	401	276	133	99	2,373
46 Commercial 1 1/2 in. Meters	269	361	323	301	267	386	2,503	2,314	2,504	1,447	134	148	10,957
47 Commercial 2 in. Meters	372	568	487	445	471	807	3,549	3,058	3,759	2,211	274	227	16,228
48 Commercial 4 in. Meters	10	29	16	7	24	13	22	-	9	42	36	11	219
49 MultiFam 5/8 & 3/4 in. Meters	312	344	260	294	312	743	1,930	1,474	2,033	1,505	423	307	9,637
50 MultiFam 1 in. Meters	320	447	334	306	354	727	1,829	1,787	1,536	1,001	695	474	9,770
51 MultiFam 1 1/2 in. Meters	25	36	28	23	52	107	163	120	127	144	91	40	856
52 MultiFam 2 in. Meters	285	167	105	104	208	625	1,037	1,010	1,007	1,009	331	135	6,023
53 MultiFam 4 in. Meters.	-	-	-	-	-	-	-	-	-	-	-	-	-

* November to April excess usages are an average of the net of residential usages for the 6 month period less total usages of allowed gallons or less for the 6 month period. November and December 2011 residential usages will use the assumption that usage will be the same as the prior winter.

Number of Active Customers as of January 24, 2012:

54 Residential 5/8 in. & 3/4 in. Meters	3597
55 Residential 1 in. Meters	75
56 Residential 1 1/2 in. Meters	7
57 Residential 2 in. Meters	0
58 Commercial 5/8 in. & 3/4 in. Meters	3,679
59 Commercial 1 in. Meters	42
60 Commercial 1 1/2 in. Meters	6
61 Commercial 2 in. Meters	9
62 Commercial 4 in. Meters	21
63 MultiFam 5/8 & 3/4 in. Meters	2
64 MultiFam 1 in. Meters	80
65 MultiFam 1 1/2 in. Meters	40
66 MultiFam 2 in. Meters	28
67 MultiFam 4 in. Meters.	1
68 Active customers	12
	0
	81
	3840

EXHIBIT 6

NOTICE TO FALLS WATER CO., INC. CUSTOMERS

During the week of January 30, 2012, Falls Water Co., Inc. filed an application with the Idaho Public Utilities Commission (IPUC) for a proposed general rate increase to become effective February 29, 2012. 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 ¾" metered customer's bill will increase 26.8%. The average 1" metered customer's bill will increase 24.3%. The average 1 ½" metered customer's bill will increase 26.1%. The average 2" metered customer's bill will increase 27.8%. The average 4" metered customer's bill will increase 28.1%

If approved the proposed increase would increase the Company's total annual revenues by \$295,059.75 (26.52%). 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-12-1 in all correspondence.

EXHIBIT 7

News Press Release

During the week of January 30, 2012, Falls Water Co., Inc. filed an application with the Idaho Public Utilities Commission (IPUC) for a proposed general rate increase to become effective February 29, 2012. 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 ¾" metered customer's bill will increase 26.8%. The average 1" metered customer's bill will increase 24.3%. The average 1 ½" metered customer's bill will increase 26.1%. The average 2" metered customer's bill will increase 27.8%. The average 4" metered customer's bill will increase 28.1%

If approved the proposed increase would increase the Company's total annual revenues by \$295,059.75 (26.52%). 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-12-1 in all correspondence.

Schedule No. 1

General Metered Service Rates

Availability: To all metered customer not served under another schedule.

Minimum Customer Charge:

Meter Size	Maximum Gallons Allowed in Minimum Charge	Monthly Minimum Charge
5/8" and 3/4"	12,000 <u>5,000</u>	\$16.10 <u>\$19.18</u>
1"	17,000 <u>7,000</u>	\$22.54 <u>\$26.85</u>
1 1/2"	22,000 <u>9,000</u>	\$28.98 <u>\$34.52</u>
2"	28,000 <u>12,000</u>	\$37.03 <u>\$44.11</u>
4"	49,000 <u>20,000</u>	\$66.01 <u>\$78.64</u>

Commodity Charge:

Rate per 1,000 Gallons of Use

For all water use in excess of the maximum gallons allowed in minimum charge.

~~\$0.611~~ \$0.67

Contract Conditions:

The customer shall pay the total of the minimum customer charge plus the commodity charge. The commodity charge is based on all metered water in excess of the maximum gallons allowed in the minimum customer charge for the billing period. Consumption is expressed in 1,000 gallon units as expressed by the meter installed by the Company. The minimum customer charge will apply even when service is provided for less than the entire billing period.

Meter Reading Schedule:

~~Meters for all residential services for single family homes and town homes will be read monthly starting in April and ending with the October reading. Winter usage is still metered; however the billing for the commodity charge during the winter months will be calculated and billed on the April billing. The winter commodity charge is calculated by subtracting the maximum gallons allowed in the minimum customer charge for the six winter billing periods from the total usage obtained from the April meter reading multiplied by applicable rate.~~

Meters for all customers, Residential, commercial, industrial, institutional, apartment buildings with two or more units, and condominiums will be read monthly year round.

Schedule No. 2

Non-Recurring Charges

1. RECONNECT FEES:

This charge is applicable to all customers where water has been physically turned off for non-payment of a delinquent bill.

Rates:	<u>Each Occurrence</u>
During regular office hours (Monday through Friday 8am to 5pm)	\$ 20.00
After office hours	\$ 40.00

2. FIELD COLLECTION FEE:

This charge is applicable to all customers who pay outstanding bills for service at the time that Company personnel arrive at the customers' premises to terminate service.

Rate:	<u>Each Occurrence</u>
Field Collection Fee	\$ 15.00

3. HOOKUP CHARGES:

This charge is applicable when a new service is connected to the system for the first time.

<u>Meter Size of New Connection</u>	<u>One time Charge</u>
¾" Meter	\$ 500.00
1" Meter	\$ 600.00
1 ½" Meter	\$ 930.00
2" Meter	\$1,205.00

4. RETURNED CHECK CHARGE:

This charge is applicable 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.

Rate:	<u>Each Occurrence</u>
Returned check charge each occurrence	\$20.00

Non-Recurring Charges (Cont'd)

5. METER TEST AT CUSTOMER REQUEST CHARGE:

This charge is applicable when the customer requests the Company to test the accuracy of a meter in the case of a disputed bill.

Rate:	<u>Each Occurrence</u>
Error in meter registration of 1.5% or less	\$10.00

6. LATE PAYMENT CHARGE:

This charge is based on the unpaid balance at the time of the next billing date.

Rate:
1% of delinquent balance per month.

Schedule No. 1

General Metered Service Rates

Availability: To all metered customer not served under another schedule.

Minimum Customer Charge:

Meter Size	Maximum Gallons Allowed in Minimum Charge	Monthly Minimum Charge
5/8" and 3/4"	5,000	\$19.18
1"	7,000	\$26.85
1 1/2"	9,000	\$34.52
2"	12,000	\$44.11
4"	20,000	\$78.64

Commodity Charge:

Rate per 1,000 Gallons of Use

For all water use in excess of the maximum gallons allowed in minimum charge.

\$0.67

Contract Conditions:

The customer shall pay the total of the minimum customer charge plus the commodity charge. The commodity charge is based on all metered water in excess of the maximum gallons allowed in the minimum customer charge for the billing period. Consumption is expressed in 1,000 gallon units as expressed by the meter installed by the Company. The minimum customer charge will apply even when service is provided for less than the entire billing period.

Meter Reading Schedule:

Meters for all customers, Residential, commercial, industrial, institutional, apartment buildings with two or more units, and condominiums will be read monthly year round.

Schedule No. 2

Non-Recurring Charges

7. RECONNECT FEES:

This charge is applicable to all customers where water has been physically turned off for non-payment of a delinquent bill.

Rates:	<u>Each Occurrence</u>
During regular office hours (Monday through Friday 8am to 5pm)	\$ 20.00
After office hours	\$ 40.00

8. FIELD COLLECTION FEE:

This charge is applicable to all customers who pay outstanding bills for service at the time that Company personnel arrive at the customers' premises to terminate service.

Rate:	<u>Each Occurrence</u>
Field Collection Fee	\$ 15.00

9. HOOKUP CHARGES:

This charge is applicable when a new service is connected to the system for the first time.

<u>Meter Size of New Connection</u>	<u>One time Charge</u>
¾" Meter	\$ 500.00
1" Meter	\$ 600.00
1 ½" Meter	\$ 930.00
2" Meter	\$1,205.00

10. RETURNED CHECK CHARGE:

This charge is applicable 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.

Rate:	<u>Each Occurrence</u>
Returned check charge each occurrence	\$20.00

Issued March 10, 2010
Effective March 16, 2010
Manager

Issued by Falls Water Co., Inc.
K. Scott Bruce, General

Non-Recurring Charges (Cont'd)

11. METER TEST AT CUSTOMER REQUEST CHARGE:

This charge is applicable when the customer requests the Company to test the accuracy of a meter in the case of a disputed bill.

Rate:	<u>Each Occurrence</u>
Error in meter registration of 1.5% or less	\$10.00

12. LATE PAYMENT CHARGE:

This charge is based on the unpaid balance at the time of the next billing date.

Rate:
1% of delinquent balance per month.