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John R. Hammond Jr.

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IDAHO PUBLIC
UTILITIES COMMISSION

August 14, 2006

Idaho Public Utilities Commission
472 W. Washington Street
P. O. Box 83720
Boise, Idaho 83720-0074

Re: In the Matter of the Application of Spirit Lake East
 Water Company, Inc.
 Case No. SPL-W-06-1

Dear Commission:

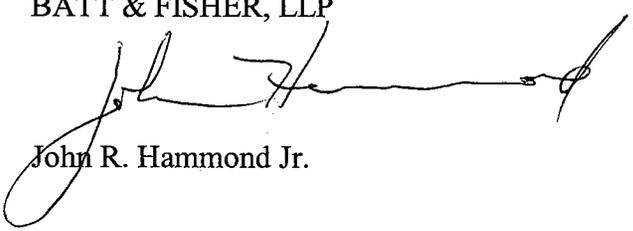
Enclosed are the original and seven copies of the Application of Spirit Lake East Water Company, Inc. For Authority to Increase Its Rates and Charges for Water Service In the State of Idaho, each complete with attached Exhibits, for filing in the above matter, together with a disk containing the Application and attached Exhibits in PDF format.

I am also enclosing three separate binders of "Work Papers" for the Commission's use in this matter.

If you need additional information or documentation, please do not hesitate to contact me.

Sincerely,

BATT & FISHER, LLP



John R. Hammond Jr.

JRH:hva
Enclosures

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IDAHO PUBLIC
UTILITIES COMMISSION

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Attorneys for Applicant

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE
APPLICATION OF SPIRIT LAKE EAST
WATER COMPANY, INC., FOR
AUTHORITY TO INCREASE ITS
RATES AND CHARGES FOR WATER
SERVICE IN THE STATE OF IDAHO

Case No. SPL-W-06-1

APPLICATION

COMES NOW Spirit Lake East Water Company ("Spirit Lake," "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 or after September 14, 2006. The Company requests the Commission's approval of an increase in the rates it charges its water customers: 1) from \$12.00 to \$24.00 dollars for the first 9000 gallons of water usage by a customer per month; and, 2) from \$.10 to \$.20 for every 100 gallons of water used by a customer over 9000 gallons per month. Additionally, the Company requests that the Commission approve an increase in the amount of the connection fee for new service connecting to the water system from \$1,200.00 to \$2,500.00. In support of the Company's requests this Application shows:

APPLICATION OF SPIRIT LAKE EAST WATER COMPANY, INC., FOR AUTHORITY TO
INCREASE ITS RATES AND CHARGES FOR WATER SERVICE IN THE STATE OF IDAHO - 1

I.

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 general water business in and about the Spirit Lake East and Treeport Subdivisions in Kootenai and Bonner County, Idaho. The Applicant has its principal office and place of business at 15807 E. Indiana Avenue, Spokane, Washington, 99216-1814. The Applicant's current Certificate is Certificate No. 293.

II.

The Applicant has been providing service to its customers as a public utility for nearly 23 years. Currently the Company provides service to 280 active service connections within Kootenai County and Bonner County, Idaho. The Applicant's service area is large, with the lots in the Spirit Lake East Subdivision averaging ten (10) acres in size. The lots in the adjoining Treeport Subdivision are five (5) acres in size. The total area served by the Company is over 3,300 acres. The Company owns one lot in Spirit Lake East, where the well, pump house and storage tank are located. More than 80% of the lots have active connections in the Spirit Lake East and Treeport Subdivisions with residences and/or improvements located on them.

III.

During the 23 years the Company has provided its customers water service, the rates for said service, as represented by the attached schedules, have not changed since initially approved by the Commission in Order No. 18466, dated November 23, 1983. During this time period, costs have changed and many improvements have been made to the water system. Further, since Order No. 18466 was issued, Hanson Industries, Inc.,

the parent corporation of the Company, has subsidized its operation. In 2005, Hanson Industries wrote off (forgave) \$370,000.00 of more than \$475,000.00 the Company owed the parent corporation. These liabilities represent the level of subsidy the parent corporation has provided the water system since its inception. Hanson Industries is unwilling, and it is unreasonable to expect it, to continue to subsidize the Company.

IV.

In presenting this Application to the Commission, the Applicant has used a recent Commission Staff audit of the Company's books and records as guidance in filing this Application. The audit which was performed in conjunction with the Company's last case, Case No. SPL-W-04-1, dealt only with new service connections and was critical of the Company's record-keeping procedures. In an effort to show good faith and cooperation, the Company has used the information provided in the audit as the beginning point for restating its financial records. It is the Company's desire upon completion of this case to be in complete agreement with the Commission and its Staff regarding its financial position.

V.

CONNECTION FEES

On June 7, 2004, the Commission issued Order No. 29513 in Case No. SPL-W-04-1, approving an increase in the Company's connection fees from \$650.00 to \$1,200.00, effective June 9, 2004. The Company initially requested an increase in the fee to \$2,500.00. The Company and the Staff ultimately agreed on the \$1,200.00 fee based upon Staff assisting the Company with finding a licensed, qualified contractor to perform the work. Shortly after the Order was issued, this contractor performed one connection at

the \$1,200.00 rate and then withdrew from the agreement, leaving the Company back in its pre-Order dilemma of finding a qualified contractor. The Company did locate a new qualified contractor, which again charged \$2,500.00 for performing each main tap and service line to the property line. This cost is mainly due to the very large size of the subdivisions and the distances to bring service lines to the lots. This cost does not include any administrative costs or direct labor by the Company. The Company is therefore requesting that the new service connection fee be increased by an amount equal to the actual cost paid to the outside contractor. The Company is prepared to provide invoices to the Commission Staff to support these costs. At the proposed rate of \$2,500.00, the Company will recover only its direct costs.

VI.

WATER SERVICE RATES

The Company's request to increase its water service rates and charges equates to approximately a 100% increase, representing approximately a 3.2% increase per year over the 23 year period since the Company's existing rates were established. This request is supported by the attached Exhibit Nos. 1 – 5.

VI. (A)

Rate Base:

Exhibit No. 1, Schedules "A", "B" and "C," develop the Company's Rate Base. Schedule "A" presents the total plant in service shown on line 29, Column (G) of \$961,201.00. This schedule was begun, as shown in Column (A), utilizing the data the PUC Staff found appropriate in its audit of the Company's 2001 financial records, which produced a total plant in service amount of \$820,232.00. Columns (B) and (C) show

additions to the Company's plant accounts for the years 2004 and 2005 respectively. These additions result in a total plant in service investment of \$866,630.00 at the end of the Company's 2005 fiscal year.

The Company was required by the Idaho Department of Environmental Quality (DEQ) to make additional improvements to its system in the years 2005 and 2006. These improvements were required by the DEQ to protect the quality of water delivered to customers on the system. These improvements do not generate any additional revenues to the Company. In Column (E), the Company has recognized these additional non-revenue producing investments as proforma adjustments to the Company's fiscal year 2005 Rate Base.

Due to the disparity between the Company's approved connection fees (\$650.00 prior to June 9, 2004, and \$1,200.00 subsequent to that date) and the actual cost of contracting for the installation of customer service connections, the Company has, between 2001 and 2005, invested \$61,417.00 more in these connections than it has collected in connection fees. In Column (F) of Exhibit No. 1, Schedule "A," the Company has capitalized these costs to its plant in service accounts. The detail of the yearly costs and fees collected are shown on Exhibit No. 5, Column (G).

The Company's total adjusted plant in service amount of \$961,201.00 is shown on Exhibit No. 1, Schedule "A," Column (G). This amount is carried forward to the Rate Base Exhibit No. 1, Schedule "C," line 1.

Schedule "B1" of Exhibit No. 1 details the Company's accumulated depreciation. This Schedule was prepared in conformance with the Plant in Service Exhibit No. 1, Schedule "A". Column (A) of this schedule ties to the Commission Staff's 2001 audit of

the Company, producing a total accumulated depreciation of \$732,003.00. Each of the Columns (B) through (E) detail the additions to accumulated depreciation for the plant added between 2001 and 2005, as well as adjustments to depreciation contained in the Staff audit. The changes to accumulated depreciation shown here are directly related to the detail of depreciation expense presented on Exhibit No. 1, Schedule "B2".

Depreciation expense, as presented on Exhibit No. 1, Schedule "B2," Column (I) carries forward to fiscal year-end 2005 the annual depreciation expense found reasonable in the Commission Staff's 2001 audit and adds depreciation for new plant additions for the years 2002 through 2005. Column (J) of this Schedule reflects the proforma depreciation expense the Company will experience for the year 2006 to recognize the additional plant placed in service in compliance with DEQ requirements. Total depreciation expense for the year 2006 will be \$6,885.00. This expense amount is carried forward to Exhibit No. 2, Schedule "C," and is utilized in determining the Company's total revenue requirement on Exhibit No. 4.

Exhibit No. 1, Schedule "C," is the Company's calculation of its rate base. This rate base utilizes the plant in service (line 1) developed on Exhibit No. 1, Schedule "A" and accumulated depreciation (line 2) developed on Exhibit No. 1, Schedule "B," to show a net plant in service amount of \$220,451.00 on line 3. On line 5, the Company has added \$3,055.00 for a spare parts inventory (spare pump) and \$7,073.00 on line 9 for a working capital allowance equal to one-eighth (1/8) of annual operating expenses. Contributions in aid of construction of \$70,050.00 (consistent with PUC Staff audit) have been deducted on line 8. The total rate base for the Company is \$160,529.00, as shown on line 11.

VI. (B)

Results of Operations

Exhibit No. 2, Schedules "A" through "C," present the Company's operating income results. Schedule "A" details the revenues actually realized during fiscal year 2005 by the Company in Column (A). These revenues are as reported by the Company in its annual report to the Commission. Included in these revenues is \$18,000.00 of Hook-up fees collected during the year 2005. These connection fee revenues represent 15 new services connected to the system during the year. Column (B) of this schedule removes the hook-up fees collected during the year to produce Column (C) that is the \$47,903.00 of revenues collected under current tariff rates from customers for the supply of water service to their homes. These revenues are carried forward to the Income Statement Exhibit No. 2, Schedule "C."

Exhibit No. 2, Schedule "B," itemizes the Company's expenses incurred to operate and maintain the water system. Column (A) of this exhibit reflects the expenses as reported to the Commission in the Company's fiscal year 2005 annual report. Columns (B), (C) and (D) are corrections to the annual report to properly classify several expense items that were incorrectly recorded. Column (E) sets forth the corrected expenses of the Company as they should have been reported to the Commission. In Column (F), the Company has eliminated the cost incurred to connect new customers to the system. This adjustment is necessary to be consistent with the elimination of connection fees discussed earlier regarding Exhibit No. 2, Schedule "A." Elimination of both the revenues collected in hook-up fees, and the costs incurred to complete those collections, produces an income statement that is representative of the Company's water

service operations. Column (G) of this exhibit is an adjustment required to normalize the Company's water testing expenses. The Company must complete a number of different water tests to comply with DEQ requirements. The frequency of these tests varies. Some are required monthly and some annually. Others are required on a 3, 4, 6 and 9 year frequency schedule. The adjustment in this column spreads the costs of these tests on a normalized basis over the frequency period between tests.

Column (H) of this exhibit presents the corrected and normalized expenses for the Company of \$56,580.00 for the test year 2005. These expenses are carried forward to Exhibit No. 2, Schedule "C," that shows the Company's corrected and normalized income statement.

Exhibit No. 2, Schedule "C," summarizes the income statement for the adjustments previously discussed. As shown on line 19 of this exhibit, the adjusted test year results in a net loss to the Company of \$17,887.00.

VI. (C)

Cost of Capital (Return on Rate Base)

Exhibit No. 3 shows the Company's capital structure. Other than the debt the Company owes its parent, Hanson Industries, the Company has no debt. Initial Capitalization of the Company valued its capital stock at \$296,434.00. The Company has accumulated negative retained earnings over its lifetime of \$382,000.00. The liability of \$249,102.00 that the Company owes its parent is shown on line 3 of this exhibit. As mentioned earlier, Hanson Industries wrote-off (forgave) \$370,000.00 of this liability in 2005. The \$249,102.00 is the remainder of the amount carried on the Company's books after recognition of the debt forgiveness. This amount is carried as a liability on the

Company's books as a mechanism to track the amount of additional capital Hanson Industries has provided to the Company. Hanson Industries would like to some day recover some or all of this additional capital. In the meantime, it is appropriate to treat this item as "Additional Paid-In Capital". Therefore, the entire capital structure of the Company is composed of owner's equity in the amount of \$163,204.00, as shown on line 7 of this exhibit.

The Company requests a 12% return on its equity capital equal to the returns the Commission has allowed other small water companies for several years. Given the 100% equity capital structure, this return on equity translates to an overall rate-of-return on rate base of 12%. This return is utilized on Exhibit No. 4 to determine the Company's revenue requirement.

VI. (D)

Revenue Requirement

Exhibit No. 4 calculates the gross revenue deficiency of the Company. The rate base from Exhibit No. 1, Schedule "C," is multiplied by the rate of return from Exhibit No. 3, line 7, to produce a net operating income requirement of \$19,263.00. When the net loss of \$17,887.00 (From Exhibit No. 2, Schedule "C") is added to the net income requirement, a net income deficiency for the Company of \$37,151.00 is produced.

This net income deficiency must be grossed-up to recognize additional revenue-sensitive costs the Company will incur as a direct result of the increased revenues. The detail of the calculated gross-up factor of 128.84% is shown in the lower portion of this exhibit. Applying the gross-up factor to the net income deficiency results in a gross revenue increase requirement of \$47,866.00. The Company actually billed customers

\$47,903.00 during the test year. The requested revenue increase represents an increase of 99.92% in those customers' bills, which is the first and only increase in the Company's rates and charges for water service being initially established in 1983.

Although not included in the Company's calculated increase in this Application, the Company requests authorization to recover its rate case expenses through an amortization schedule over a 3 year period. Exhibit No. 6 shows the calculation and effect on the Company's revenue requirement assuming total rate case expense of \$5,000.00. The actual costs the Company will incur are an unknown at this time. The actual cost will depend upon the procedure the Commission determines is appropriate and any additional information required from the Company and its legal and financial consultants. The Company will provide actual expense information upon completion of the Commission's investigation and prior to the Commission's order in this case.

VII.

Adjusted Balance Sheet

Exhibit No. 5 is provided to the Commission for its information and to help the Commission Staff understand the Company's desire to restate its financial position. The Balance sheet presented in Column (H) incorporates the adjustments discussed earlier in this application. The Company proposes that this balance sheet will be the basis for going forward in compliance with the Commission's accounting procedures.

VIII.

TARIFFS OF RATES AND CHARGES

Attached as Exhibit No. 7 is a marked-up copy of the Company's existing tariff rates showing the existing rates and proposed rates in legislative format.¹ Exhibit No. 8 is a clean copy of the Company's proposed new tariff sheets for the Commission's approval. The Applicant alleges that the proposed changes in rates and charges set forth on Exhibit No. 8 are just and reasonable, and that the proposed rate of return as discussed above is a fair rate of return on the Applicant's investment in property used and useful in rendering water service. The Company proposes an effective date of September 14, 2006, for the new rates.

IX.

NOTICE TO CUSTOMERS

Notice to the Applicant's customers is being accomplished by news media releases simultaneously with the filing of this Application and by an individual notice mailed to each of the Applicant's customers. *See* Exhibit No. 9. In addition, a copy of the Application and Applicant's present and proposed Tariffs are available for public inspection at its office located at 15807 E. Indiana Avenue, Spokane, Washington, 99216-1814, during office hours, and at the offices of the Commission during its office hours.

¹ The Company is also proposing to update the version of the General Rules and Regulations for Small Water Utilities contained in its Schedules with the more recent version which has been produced by the Commission.

X.

COMMUNICATIONS

Communications in reference to this Application should be addressed to:

John R. Hammond, Jr.
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101 S. Capitol Blvd., Suite 500
P.O. Box 1308
Boise, Idaho 83701
Ph: (208)-331-1000
Fax: (208)-331-2400
jrh@battfisher.com

and

Robert J. Boyle
15807 E. Indiana Avenue
Spokane, Washington, 99216-1814.
Ph: (509)-922-5252
Fax: (509)-922-5757
admin@hansonind.com

XI.

The Applicant stands ready for an immediate consideration of its Application and respectfully requests that it be processed by modified procedure under the Commission's Rules of Procedure. IDAPA 31.01.01.201-.204. In the event the Commission decides that a technical hearing is necessary, the Company stands ready to prepare and file direct testimony in support of its Application.

WHEREFORE, the Applicant respectfully requests of the Commission:

1. That this Application be heard and acted upon at the earliest possible date;
2. That this Application be processed by modified procedure under the Commission's Rules of Procedure;

3. That the Commission find that the Applicant's existing rates are unjust, unreasonable and insufficient to provide the Applicant with a fair rate of return, and that the revised rates and charges proposed in the proposed Exhibit No. 8 of this Application are just and reasonable, and that Applicant be permitted to charge said rates to its customers effective September 14, 2006.
4. That the Commission allow the Company to update the General Rules and Regulations for Small Water Utilities contained in its Schedules with the Commission's most recent version of the same.
5. That the Commission allow the Company to recover its rate case expenses resulting from the preparation, filing and prosecution of its Application through an amortization schedule over a 3 year period.
6. That the Commission grant such other and further relief as the Commission may determine proper in the circumstances.

DATED THIS 14th day of August, 2006.

SPIRIT LAKE EAST WATER COMPANY

By: _____

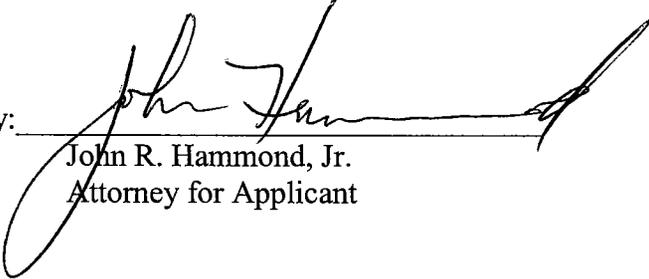

John R. Hammond, Jr.
Attorney for Applicant

EXHIBIT NO. 1
Schedule A

Company Name: Spirit Lake East Water Co.

Idaho PUC Case Number SPL-W-06-01

Test Year Ended October 31, 2005

RATE BASE (SCHEDULE "A" PLANT IN SERVICE)

Plant in Service	(A) Restated Per PUC Audit 10/31/2001	(B) Added 2004	(C) Added 2005	(D) Balance 10/31/2005	(E) Non-Rev Added By 4/1/06	(F) Hook-ups Exceeds Cost	(G) Total
1 301 Organization	-	-	-	-	-	-	-
2 302 Franchises and Consents	-	-	-	-	-	-	-
3 303 Land & Land Rights	-	-	-	-	-	-	-
4 304 Structures and Improvements	8,405	-	3,062	11,467	-	-	11,467
5 305 Reservoirs & Standpipes	77,073	-	-	77,073	5,447	-	82,520
6 306 Lake, River & Other Intakes	-	-	-	-	-	-	-
7 307 Wells	30,132	-	-	30,132	-	-	30,132
8 308 Infiltration Galleries & Tunnels	-	-	-	-	-	-	-
9 309 Supply Mains	-	-	-	-	-	-	-
10 310 Power Generation Equipment	-	-	-	-	5,115	-	5,115
11 311 Power Pumping Equipment	74,187	40,746	-	114,933	12,491	-	127,423
12 320 Purification Systems	796	-	-	796	1,048	-	1,844
13 330 Distribution Reservoirs & Standpipes	-	-	-	-	-	-	-
14 331 Trans. & Distrib. Mains & Accessories	516,547	-	-	516,547	4,210	-	520,757
15 333 Services	71,097	-	-	71,097	-	61,417	132,514
16 334 Meters and Meter Installations	13,918	-	639	14,557	-	-	14,557
17 335 Hydrants	-	-	-	-	-	-	-
18 336 Backflow Prevention Devices	-	-	-	-	-	-	-
19 339 Other Plant & Misc. Equipment	-	-	-	-	-	-	-
20 340 Office Furniture and Equipment	625	-	-	625	2,400	-	3,025
21 341 Transportation Equipment	5,001	-	-	5,001	-	-	5,001
22 342 Stores Equipment	-	-	-	-	-	-	-
23 343 Tools, Shop and Garage Equipment	-	-	-	-	-	-	-
24 344 Laboratory Equipment	-	-	-	-	-	-	-
25 345 Power Operated Equipment	-	-	-	-	-	-	-
26 346 Communications Equipment	-	-	1,952	1,952	-	-	1,952
27 347 Miscellaneous Equipment	-	-	-	-	-	-	-
28 348 Other Tangible Property	22,451	-	-	22,451	2,444	-	24,895
29 TOTAL PLANT IN SERVICE	\$ 820,232	\$ 40,746	\$ 5,653	\$ 866,630	\$ 33,154	\$ 61,417	\$ 961,201

EXHIBIT NO. 1
Schedule B-1

Company Name: Spirit Lake East Water Co.
 Idaho PUC Case Number SPL-W-06-01
 Test Year Ended October 31, 2005

ACCUMULATED DEPRECIATION

	(A) Restated Per PUC Audit 10/31/2001	(B) Added 2002	(C) Added 2003	(D) Added 2004	(E) Added 2005	(E) Total Accumulated 10/31/2005
Accumulated Depreciation (Annual Report Pg 6)						
1 Structures and Improvements	8,405	-	-	-	153	8,558
2 Reservoirs & Standpipes	77,073	-	-	-	-	77,073
3 Lake, River & Other Intakes	-	-	-	-	-	-
4 Wells	30,132	-	-	-	-	30,132
5 Infiltration Galleries & Tunnels	-	-	-	-	-	-
6 Supply Mains	-	-	-	-	-	-
7 Power Generation Equipment	-	-	-	-	-	-
8 Power Pumping Equipment	59,789	1,124	1,125	2,143	3,162	67,343
9 Purification Systems	796	-	-	-	-	796
10 Distribution Reservoirs & Standpipes	-	-	-	-	-	-
11 Trans. & Distrib. Mains & Accessories	512,766	180	200	200	200	513,547
12 Services	1,047	-	-	-	-	1,047
13 Meters and Meter Installations	13,918	-	-	-	64	13,982
14 Hydrants	-	-	-	-	-	-
15 Backflow Prevention Devices	-	-	-	-	-	-
16 Other Plant & Misc. Equipment	-	-	-	-	-	-
17 Office Furniture and Equipment	625	-	-	-	-	625
18 Transportation Equipment	5,001	-	-	-	-	5,001
19 Stores Equipment	-	-	-	-	-	-
20 Tools, Shop and Garage Equipment	-	-	-	-	-	-
21 Laboratory Equipment	-	-	-	-	-	-
22 Power Operated Equipment	-	-	-	-	-	-
23 Communications Equipment	-	-	-	-	195	195
24 Miscellaneous Equipment	-	-	-	-	-	-
25 Other Tangible Property	22,451	-	-	-	-	22,451
26 TOTAL ACCUMULATED DEPRECIATION	\$ 732,003	\$ 1,305	\$ 1,325	\$ 2,343	\$ 3,774	\$ 740,750
(Add lines 1 - 25)						
						Accumulated per PUC 2005 Report
						736253
						Correction to Booked Accum Depr. \$ 4,497

EXHIBIT NO. 1
Schedule B-2

Company Name: Spirit Lake East Water Co.

Idaho PUC Case Number SPL-W-06-01

Test Year Ended October 31, 2005

DEPRECIATION SCHEDULE

Restated in conformance with PUC Staff Audit 2001
Half Year Convention in Year Placed in Service

Asset	(A) Yr in Service	(B) Cost	(C) Life	(D) Method	(E) 2002	(F) 2003	(G) 2004	(H) 2005	(I) Accumulated 10/31/2005	(J) 2006 Proforma Exp
1 Replacement Pump (Staff Adj "A")	1994	\$ 21,392	20	SL	\$1,070	\$1,070	\$ 1,070	\$ 1,070	\$ 12,300	\$ 1,070
2 Main Replacement (Staff Adj "B")	2000	2,578	20	SL	129	129	129	129	709	129
3 Main Valve (Staff Adj "C")	2001	624	20	SL	31	31	31	31	140	31
4 Replace Pump (Staff Adj "D")	2000	314	20	SL	16	16	16	16	88	16
5 Replace Pipe (Staff Adj "E")	2002	808	20	SL	20	40	40	40	140	40
6 Booster Valve & Start (Staff Adj "F")	2000	781	20	SL	39	39	39	39	215	39
7 Well Pumping Equipment	2004	40,746	20	SL			1,019	2,037	3,056	2,037
8 Metering Equipment	2005	639	5	SL				64	64	128
9 Auto Dialer	2005	1,952	5	SL				195	195	390
10 Roof Repairs (Tank & Pump House)	2005	3,062	10	SL				153	153	306
11 Generator Equipment	2006	5,115	10	SL						511
12 Bladder Tanks & Reservoir	2006	5,447	10	SL						146
13 Dist Pumps & Motors	2006	12,491	10	SL						547
14 Chlorine testing meters	2006	1,048	5	SL						105
15 Repair Distribution Leak	2006	4,210	10	SL						421
16 Computer Program upgrade	2006	2,400	5	SL						480
17 Misc Equip (DEQ Required)	2006	2,444	5	SL						489
18 Totals		\$ 106,049			\$1,305	\$1,325	\$ 2,343	\$ 3,774	\$ 17,061	\$ 6,885

Accumulated Per Puc Audit 2001 \$ 732,003
 Added 2002 through 2005 8,747
 Balance check to Ex No. 1, Sch B1 \$ 740,750

EXHIBIT NO. 1
Schedule C

Company Name: Spirit Lake East Water Co.

PUC Case Number SPL-W-06-01

Test Year Ended October 31, 2005

RATE BASE SUMMARY

1 Total Plant in Service (Ex 1, Sch A, Line 29)	\$	961,201
2 Accumulated Depreciation (Ex 1, Sch B, Line 26)		740,750
3 Net Plant in Service (Line 1 less Line 2)	\$	<u>220,451</u>
4 Add Utility Plant Acquisition Adjustment		
5 Add Materials & Supplies Inventories (Spare Parts)		3,055
6 Less Accum Amortization Util Plant Acq Adj		
7 Less Customer Advances for Construction		
8 Less Contributions in Aid of Construction		70,050
9 Add Working Capital (1/8 Operating Expenses) (Exhibit No. 2, Sch B, Line 22 / 8)		7,073
10 Add Deferred Charges		
11 TOTAL RATE BASE	\$	<u>160,529</u>

EXHIBIT NO. 2
Schedule A

Company Name: Spirit Lake East Water Co.

PUC Case Number SPL-W-06-01

Test Year Ended October 31, 2005

OPERATING REVENUES COLLECTED

	(A) Test Year Actual Per PUC Report	(B) Remove Hook-up Fees	(C) Pro Forma (A + B)
Water Revenues:			
1	Unmetered		
2	Metered-Residential	\$ 47,903	\$ 47,903
3	Metered-Commercial & Industrial	0	0
4	Fire Protection Revenue	0	0
5	Other Water Sales Revenue	0	0
6	Irrigation Sales Revenue	0	0
7	Sales for Resale	0	0
8	Total Water Revenue (Add Lines 1-7)	\$ 47,903	\$ 47,903
9	DEQ Fees Billed Separately to Customers	0	0
10	Hook-up or Connection Fees Collected	18,000	(18,000) 0
11	Commission Approved Surcharges Collected	0	0
12	Total Revenue (Add Lines 8-11)	\$ 65,903	\$ (18,000.00) \$ 47,903

EXHIBIT NO. 2
Schedule B

Company Name: Spirit Lake East Water Co.

PUC Case Number SPL-W-06-01

Test Year Ended October 31, 2005

OPERATING EXPENSES

	(A) Test Year Actual Per PUC Report	(B) Correct Office Supplies	(C) Correct Labor Charges	(D) Correct Transportation	(E) Corrected	(F) Purge Hook-up Costs	(G) Normalize Testing Expense	(H) Pro Forma
1 Labor- Operation & Maintenance	\$ 1,538		\$ 2,698		\$ 4,236			\$ 4,236
2 Labor- Customer Accounts	988	(988)			-			-
3 Labor- Administrative & General	4,200			4,200	4,200			4,200
4 Salaries- Officers & Directors								
5 Employee Pensions & Benefits								
6 Purchased Water								
7 Purchased Power & Fuel for Power	16,570				16,570			16,570
8 Chemicals	694				694			694
9 Materials & Supplies - Operation & Mainte	41,389		(2,698)	(2,214)	36,477	(30,075)		6,402
10 Materials & Supplies- Admin & General		988			988			988
11 Contract Services- Professional	16,557				16,557			16,557
12 Contract Services - Water Testing	245				245	641		886
14 Rentals - Property & Equipment								
15 Transportation Expense				2,589	2,589			2,589
16 Insurance	3,121				3,121			3,121
17 Advertising								
18 Rate Case Expense (Amortization)								
19 Regulatory Comm. Exp. (Other Except Taxes)								
20 Bad Debt Expense								
21 Miscellaneous Expenses	713			(375)	339			339
22 TOTAL OPERATING EXPENSE \$	\$ 86,015	\$	(0)	\$	\$ 86,015	\$ (30,075)	\$ 641	\$ 56,580

EXHIBIT NO. 2
Schedule C

Company Name: Spirit Lake East Water Co.
PUC Case Number SPL-W-06-01
Test Year Ended October 31, 2005

INCOME STATEMENT

	(A) Test Year Per PUC Report	(B) Adjustments	(C) Adjusted Actual
1 Revenue (From Ex. 2, Sch A.)	65,903 \$	(18,000) \$	47,903
2 Operating Expenses (From Ex 2, Sch B)	86,015	(29,435)	56,580
3 Depreciation Expense	8492	(1,607)	6,885
4 Amortization, Utility Plant Acquisition Adj.			
5 Amortization Exp. - Other	162		162
6 Regulatory Fees (PUC)	291		291
7 Property Taxes			
8 Payroll Taxes	1,842		1,842
9A Other Taxes (list) DEQ Fees			
10 Federal Income Taxes	30		30
11 State Income Taxes			
12 Provision for Deferred Income Tax - Federal			
13 Provision for Deferred Income Tax - State			
14 Provision for Deferred Utility Income Tax Credits			
15 Investment Tax Credits- Utility			
16 Total Expenses from Operations before Interest (Add lines 2 - 15)	96,832 \$	(31,042) \$	65,790
17 Income From Utility Plant Leased to Others			
18 Gains (Losses) From Disposition of Utility Plant			
19 Net Operating Income (Add lines 1, 17 & 18 less line 16)	(30,929) \$	13,042 \$	(17,887)
20 Revenues, Merchandizing Jobbing and Contract Work			
21 Expenses, Merchandizing, Jobbing & Contracts			
22 Interest & Dividend Income			
23 Allowance for Funds used During Construction			
24 Forgiveness of Debt From Affiliate	370,000	-370000	-
25 Miscellaneous Non-Utility Expense			
26 Other Taxes, Non-Utility Operations			
27 Income Taxes, Non-Utility Operations			
28 Net Non-Utility Income (Add lines 20,22,23 & 24)	370,000	-370000	0
29 Gross Income (add lines 19 & 28)	339,071 \$	(356,958) \$	(17,887)
30 Interest Exp. on Long-Term Debt			
31 Other Interest Charges			
32 NET INCOME (Line 29 less lines 30 & 31)	339,071 \$	(356,958) \$	(17,887)

EXHIBIT NO. 3

Company Name: Spirit Lake East Water Co.
PUC Case Number SPL-W-06-01
Test Year Ended October 31, 2005

COST OF CAPITAL AND RATE OF RETURN

	(A)	(B)	(C)	(D)
Deferred Liability Owed Parent @10-31-2005	Amount	Ratio	Cost	Weighted Cost
1 Common Stock	\$ 296,434			
2 Retained Earnings	(382,332)			
3 Liability Owed Parent (Additional Paid-in Capital)	<u>249,102</u>			
4 Total Common Equity	\$ 163,204	100%	12%	12%
5 Short Term Debt	-	0%	0%	0%
6 Long Term Debt	-	0%	0%	0%
7 Total Capital	<u>\$ 163,204</u>			12%

EXHIBIT NO. 4

Company Name: Spirit Lake East Water Co.
PUC Case Number SPL-W-06-01
Test Year Ended October 31, 2005

REVENUE REQUIREMENT

	<u>Adjusted Test Year</u>
1 Rate Base (Ex #1, Sch C, Line 11)	\$ 160,529
2 Required Rate of Return (Ex 3, Line 7)	<u>12%</u>
3 Income Required (Line 1 X Line 2)	\$ 19,263
4 Income (Loss) Realized (Ex 2, Sch C, Line 32)	<u>(17,887)</u>
5 Income Deficiency (Line 3 less Line 4)	\$ 37,151
6 Net to Gross Multiplier	<u>128.84%</u>
7 Gross Revenue Deficiency	\$ 47,866
8 Actual Revenue Billed	<u>\$ 47,903</u>
9 Revenue Increase Percentage Required	99.92%

Gross-up Factor Calculation

10	Net Deficiency	100.0000%
11	PUC Fees	0.2486%
12	Bad Debts	0.5000%
13		<u>99.2514%</u>
14	State Tax @ 8%	7.9401%
15	Federal Taxable	<u>91.3113%</u>
16	Federal Tax @ 15%	13.6967%
17	Net After Tax	<u>77.6146%</u>
18	Net to Gross Multiplier	128.8417%

EXHIBIT NO. 5

Company Name: Spirit Lake East Water Co.

PUC Case Number

SPL-W-06-01

Test Year Ended

October 31, 2005

Adjusted Balance Sheet

	(A) Per PUC Report 1/31/05	(B) Added Per PUC2001 Audit	(C) Deduct Depreciation Booked 2002-05	(D) Add Depreciation Corrected 2002-05	(E) Reverse Work in Progress Add 2006 Additions	(F) Pro Forma Adjusted Before Hook-up Fees	(G) Capitalize Excess Hook-up	(H) Proforma With Hook-up Adj
1 Gross Plant	\$ 840,134	\$ 26,497			\$ 33,154	\$ 899,785		\$ 899,785
2 Add Cost of New Connections								
3 2001							5,510	
4 2002							25,843	
5 2003							24,325	
6 2004							33,664	
7 2005							30,075	
							<u>119,417</u>	119,417
8 Deduct Fees Collected							(7,800)	
9 2001							(8,450)	
10 2002							(7,800)	
11 2003							(15,950)	
12 2004							(18,000)	
13 2005							<u>(58,000)</u>	(58,000)
14 Adjusted Gross Plant	\$ 840,134	\$ 26,497	\$ -	\$ -	\$ 33,154	\$ 899,785		\$ 961,202
15 Accumulated Depr	736,253	8,318	(12,566)	8,747		740,752		740,752
16 Net Plant	\$ 103,881	\$ 18,179	\$ 12,566	\$ (8,747)	\$ 33,154	\$ 159,033	\$ 61,417	\$ 220,450
17 Customer Accis Rec.	9,748					\$ 9,748		\$ 9,748
18 Inventories	3,055					\$ 3,055		\$ 3,055
19 Deferred Charges (Work in Progress)	23,828				\$ (23,828)			
20 Total Adjusted Assets	\$ 140,512	\$ 18,179	\$ 12,566	\$ (8,747)	\$ 9,326	\$ 171,836	\$ 61,417	\$ 233,253
21 Common Stock	296,434					\$ 296,434		\$ 296,434
22 Retained Earnings	(382,332)					\$ (382,332)		\$ (382,332)
23 Deferred Liability Owed Parent @10-31-05	156,361	18,179	12,566	(8,747)	9,326	\$ 187,685	61,417	\$ 249,102
24 Contributions in Aid of Const.	70,050					\$ 70,050		\$ 70,050
25	\$ 140,513	\$ 18,179	\$ 12,566	\$ (8,747)	\$ 9,326	\$ 171,837	\$ 61,417	\$ 233,254

EXHIBIT NO. 6

Company Name: Spirit Lake East Water Co.
PUC Case Number SPL-W-06-01
Test Year Ended October 31, 2005

Rate Case Expense Amortization

Calculation of Amortization Expense

1 Rate Case Expense	\$ 5,000.00
2 Period (Months)	3
3 Rate of Return	12%
4 Gross-up to Revenue	128.84%
5 Required Amortization Rate	15.46%
6 Annual Amortization	(\$2,206.64)

Amortization Schedule

	Year	<u>Amortization</u>	<u>Return and Taxes</u>	<u>Unamortized Balance</u>
7				\$ 5,000.00
8	One	(\$2,206.64)	773.04	3,566.40
9	two	(\$2,206.64)	551.39	1,911.16
10	three	(\$2,206.64)	295.48	0.00

**WATER TESTING SCHEDULE
AND COST WORKSHEET**

Water Testing Schedule and Cost Worksheet
 Updated June 2006

Type of Test	Frequency	Cost Per Test	Annualized/Normalized Cost
Total Coliform Bacteria	Monthly / Water Source	\$ 12.00	\$ 144.00
Nitrate	Annual / Water Source	16.00	16.00
Nitrite	9 yrs / Water Source	15.00	1.67
Sodium	3 Yrs / Water Source	9.00	3.00
Arsenic	3 Yrs / Water Source	19.00	6.33
Radionuclides	4 Yrs / Water Source	25.00	6.25
IOC's (Asbestos)	3 Yrs / Water Source	250.00	83.33
IOC's (Cyanide)	3 Yrs / Water Source	45.00	15.00
SOC's	3 Yrs / Water Source	1,100.00	366.67
SOC Dioxin	3 Years	550.00	183.33
VOC's	6 Years	160.00	26.67
Lead & Copper	5 samples/3 years	20.00	33.33
			885.58
			\$ 885.58

EXHIBIT NO. 7-A

Tariff No. 1
I.P.U.C. No.
Schedule No.

Name of Utility
SPIRIT LAKE EAST WATER COMPANY

Rates:

~~\$24.00~~ ~~\$12.00~~ minimum monthly charge
~~\$.20~~ ~~\$.10~~ for each 100 additional gallons used after 9,000 gallons used per month
\$16.00 Reconnect Fee
~~\$2,500.00~~ ~~\$1,200.00~~ "Hook-Up" to the System Charge

Meter Readings:

Meters are read on the last day of each quarter, except on December 31st, when an estimate is made. Note that we read the actual meter and not the digital remote readout. . . which is connected to the meter by a wire.

There is excellent drainage at Spirit Lake East. Water drains rapidly. When you are running water, it can be misleading as the water does not collect on the surface. A standard ¾ inch garden hose of 100' length will flow 1,000 gallons in one hour at Spirit Lake East.

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

Issued: August 14, 2006 ~~June 9, 2004~~ Effective September 14, 2006 ~~June 9, 2004~~

Issued By _____

By _____ Title _____

EXHIBIT NO. 7-B

Tariff No. 2
I.P.U.C. No.
Schedule No.

Name of Utility
SPIRIT LAKE EAST WATER COMPANY

ATTACHMENT 1

Special Provisions

These special provisions apply in place of the same numbered sections contained in the General Rules and Regulations for Small Water Utilities.

6.3 All bills shall clearly indicate the balance due and shall be due and payable within 30 days of the date rendered. All bills not paid within 30 days shall be considered delinquent and service may be disconnected subject to the provisions of the IPUC Rules Governing Customer Relations.

~~6.4 The Company has instituted a policy regarding customers who have paid the old hook up rate of \$650 during application SPLW-04-1. Any customer who paid the \$650 hook up fee before the service date of Order No. 29513 must be connected to the system before December 31, 2004, to avoid being subject to the new, higher fee. An exception to this policy will be made only if an affected customer requests connection before the end of 2004 but the Company is unable to complete the work due to inclement weather or other reasons beyond the Company's control. Any affected customer who does not request connection prior to the end of 2004 will be required to pay the difference between the amount already paid (\$650) and the fee in effect at the time of the customer's request. Affected customers who do not wish to connect service prior to the end of 2004 may request a refund.~~

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

Issued: August 14, 2006 ~~June 9, 2004~~ Effective September 14, 2006 ~~June 9, 2004~~

Issued By _____

By _____ Title _____