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ANNUAL REPORT

OF

FALLS WATER COMPANY, INC.

NAME

1770 Sabin Dr, Idaho Falls, ID 83406

ADDRESS

TO THE

IDAHO PUBLIC

UTILITIES COMMISSION

FOR THE

YEAR ENDED December 31, 2003

**ANNUAL REPORT FOR WATER UTILITIES TO
THE IDAHO PUBLIC UTILITIES COMMISSION
FOR THE YEAR ENDING December 31, 2003**

COMPANY INFORMATION

1 Give full name of utility Falls Water Company, Inc.
 2 Date of Organization January 9, 1959
 3 Organized under the laws of the state of Idaho
 4 Address of Principal Office (number & street) 1770 Sabin Dr
 5 P.O. Box (if applicable) _____
 6 City Idaho Falls
 7 State Idaho
 8 Zip Code 83406
 9 Organization (proprietor, partnership, corp.) Not-for-profit Corporation
 10 Towns, Counties served Bonneville County

 11 Are there any affiliated companies? No

If yes, attach a list with names, addresses & descriptions. Explain any services provided to the utility.

12 Contact Information	Name	Phone No.
President (Owner)	Kelly D Howell	208-522-2525
Vice President		
Secretary	Cindy Howell	208-522-2525
General Manager	K. Scott Bruce	208-522-1300
Complaints or Billing	K. Scott Bruce	208-522-1300
Engineering	Tony Wise	208-522-1300
Emergency Service	Tony Wise	208-522-1300
Accounting	K. Scott Bruce	208-522-1300

13 Were any water systems acquired during the year or any additions/deletions made to the service area during the year? Yes
If yes, attach a list with names, addresses & descriptions. Explain any services provided to the utility.

14 Where are the Company's books and records kept?
 Street Address 1770 Sabin Dr
 City Idaho Falls
 State Idaho
 Zip 83406

NAME: Falls Water Company, Inc.

COMPANY INFORMATION (Cont.)

For the Year Ended December 31, 2003

15 Is the system operated or maintained under a service contract? Yes

16 **If yes:** With whom is the contract? Howell & Howell, Inc.
When does the contract expire? Month-to-Month
What services and rates are included? All Labor, both field and office

17 Is water purchased for resale through the system? No

18 **If yes:** Name of Organization _____
Name of owner or operator _____
Mailing Address _____
City _____
State _____
Zip _____

	Gallons/CCF	\$Amount
Water Purchased	_____	_____

19 Has any system(s) been disapproved by the Idaho Division of Environmental Quality? No

If yes, attach full explanation

20 Has the Idaho Division of Environmental Quality recommended any improvements? No

If yes, attach full explanation

21 Number of Complaints received during year concerning:
Quality of Service No Record
High Bills No Record
Disconnection No Record

22 Number of Customers involuntarily disconnected 42

23 Date customers last received a copy of the Summary of Rules required by IDAPA 31.21.01.701? June-03

Attach a copy of the Summary

24 Did significant additions or retirements from the Plant Accounts occur during the year? No

If yes, attach full explanation and an updated system map

NAME: Falls Water Company, Inc.

REVENUE & EXPENSE DETAIL

For the Year Ended December 31, 2003

ACCT #	DESCRIPTION		
<u>400 REVENUES</u>			
1	460	Unmetered Water Revenue	<u>104,379.08</u>
2	461.1	Metered Sales - Residential	<u>255,261.03</u>
3	461.2	Metered Sales - Commercial, Industrial	<u>11,138.83</u>
4	462	Fire Protection Revenue	<u>-</u>
5	464	Other Water Sales Revenue	<u>-</u>
6	465	Irrigation Sales Revenue	<u>-</u>
7	466	Sales for Resale	<u>-</u>
8	400	Total Revenue (Add Lines 1 - 7) (also enter result on Page 4, line 1)	<u>370,778.94</u>
9	* DEQ Fees Billed separately to customers		Booked to Acct # <u> </u>
10	** Hookup or Connection Fees Collected		Booked to Acct # <u>271</u>
11	***Commission Approved Surcharges Collected		Booked to Acct # <u> </u>
<u>401 OPERATING EXPENSES</u>			
12	601.1-6	Labor - Operation & Maintenance	<u>63,910.64</u>
13	601.7	Labor - Customer Accounts	<u>5,627.52</u>
14	601.8	Labor - Administrative & General	<u>68,361.73</u>
15	603	Salaries, Officers & Directors	<u>8,565.00</u>
16	604	Employee Pensions & Benefits	<u>5,625.00</u>
17	610	Purchased Water	<u>1,112.00</u>
18	615-16	Purchased Power & Fuel for Power	<u>92,837.66</u>
19	618	Chemicals	<u>-</u>
20	620.1-6	Materials & Supplies - Operation & Maint.	<u>16,365.08</u>
21	620.7-8	Materials & Supplies - Administrative & General	<u>25,185.05</u>
22	631-34	Contract Services - Professional	<u>6,450.00</u>
23	635	Contract Services - Water Testing	<u>4,580.36</u>
24	636	Contract Services - Other	<u>9,211.71</u>
25	641-42	Rentals - Property & Equipment	<u>8,503.40</u>
26	650	Transportation Expense	<u>8,609.24</u>
27	656-59	Insurance	<u>5,210.00</u>
28	660	Advertising	<u>2,519.25</u>
29	666	Rate Case Expense (Amortization)	<u>-</u>
30	667	Regulatory Comm. Exp. (Other except taxes)	<u>-</u>
31	670	Bad Debt Expense	<u>4,658.32</u>
32	675	Miscellaneous	<u>8,610.61</u>
33	Total Operating Expenses (Add lines 12 - 32, also enter on Pg 4, line 2)		345,942.57

Name: Falls Water Company, Inc.

INCOME STATEMENT

For Year Ended December 31, 2003

ACCT #	DESCRIPTION		
1	Revenue (From Page 3, line 8)		<u>370,778.94</u>
2	Operating Expenses (From Page 3, line 33)	<u>345,942.57</u>	
3	403 Depreciation Expense	<u>28027.3</u>	
4	406 Amortization, Utility Plant Aquisition Adj.	<u>0</u>	
5	407 Amortization Exp. - Other	<u>0</u>	
6	408.10 Regulatory Fees (PUC)	<u>811.65</u>	
7	408.11 Property Taxes	<u>3957.36</u>	
8	408.12 Payroll Taxes	<u>0</u>	
9A	408.13 Other Taxes (list) DEQ Fees		
9B			
9C			
9D			
10	409.10 Federal Income Taxes	<u>0</u>	
11	409.11 State Income Taxes	<u>30</u>	
12	410.10 Provision for Deferred Income Tax - Federal		
13	410.11 Provision for Deferred Income Tax - State		
14	411 Provision for Deferred Utility Income Tax Credits		
15	412 Investment Tax Credits - Utility		
16	Total Expenses from operations before interest (add lines 2-15)	<u>378,768.88</u>	
17	413 Income From Utility Plant Leased to Others		
18	414 Gains (Losses) From Disposition of Utility Plant		
19	Net Operating Income (Add lines 1, 17 & 18 less line 16)		<u>(7,989.94)</u>
20	415 Revenues, Merchandizing Jobbing and Contract Work		
21	416 Expenses, Merchandizing, Jobbing & Contracts		
22	419 Interest & Dividend Income		
23	420 Allowance for Funds used During Construction		
24	421 Miscellaneous Non-Utility Income	<u>9,951.59</u>	
25	426 Miscellaneous Non-Utility Expense	<u>13,359.17</u>	
26	408.20 Other Taxes, Non-Utility Operations		
27	409-20 Income Taxes, Non-Utility Operations		
28	Net Non-Utility Income (Add lines 20,22,23 & 24 less lines 21,25,26, & 27)		<u>(3,407.58)</u>
29	Gross Income (add lines 19 & 28)		<u>(11,397.52)</u>
30	427.3 Interest Exp. on Long-Term Debt		<u>8,515.46</u>
31	427.5 Other Interest Charges		
32	NET INCOME (Line 29 less lines 30 & 31) (Also Enter on Pg 9, Line 2)		<u><u>(19,912.98)</u></u>

Name: Falls Water Company, Inc.

ACCOUNT 101 PLANT IN SERVICE DETAIL
 For Year Ended December 31, 2003

SUB ACCT #	DESCRIPTION	Balance Beginning of Year	Added During Year	Removed During Year	Balance End of Year
1 301	Organization				
2 302	Franchises and Consents				
3 303	Land & Land Rights	3329			3329
4 304	Structures and Improvements	8707			8707
5 305	Collecting & Impounding Reservoirs				
6 306	Lake, River & Other Intakes				
7 307	Wells	52805			52805
8 308	Infiltration Galleries & Tunnels				
9 309	Supply Mains				
10 310	Power Generation Equipment	16693			16693
11 311	Power Pumping Equipment	195807			195807
12 320	Purification Systems	15865			15865
13 330	Distribution Reservoirs & Standpipes	494			494
14 331	Trans. & Distrib. Mains & Accessories	133121	21271		154392
15 333	Services				
16 334	Meters and Meter Installations	134082	39269		173351
17 335	Hydrants				
18 336	Backflow Prevention Devices				
19 339	Other Plant & Misc. Equipment				
20 340	Office Furniture and Equipment	7476	1706		9182
21 341	Transportation Equipment	13261	15442		28703
22 342	Stores Equipment	10843	2787		13630
23 343	Tools, Shop and Garage Equipment				
24 344	Laboratory Equipment				
25 345	Power Operated Equipment				
26 346	Communications Equipment				
27 347	Miscellaneous Equipment				
28 348	Other Tangible Property				
29	TOTAL PLANT IN SERVICE (Add lines 1 - 28)	592483	80475	0	672958

Enter beginning & end of year totals on Pg 7, Line 1

Name: Falls Water Company, Inc.

ACCUMULATED DEPRECIATION ACCOUNT 108.1 DETAIL

For Year Ended December 31, 2003

SUB ACCT #	DESCRIPTION	Depreciation Rate %	Balance Beginning of Year	Balance End of Year	Increase or (Decrease)
1 304	Structures and Improvements				
2 305	Collecting & Impounding Reservoirs				
3 306	Lake, River & Other Intakes				
4 307	Wells		25009	27161	2152
5 308	Infiltration Galleries & Tunnels				
6 309	Supply Mains				
7 310	Power Generation Equipment		4278	5112	834
8 311	Power Pumping Equipment		108766	116603	7837
9 320	Purification Systems		15865	15865	0
10 330	Distribution Reservoirs & Standpipes		494	494	0
11 331	Trans. & Distrib. Mains & Accessories		60680	64093	3413
12 333	Services				
13 334	Meters and Meter Installations		73040	84489	11449
14 335	Hydrants				
15 336	Backflow Prevention Devices				
16 339	Other Plant & Misc. Equipment				
17 340	Office Furniture and Equipment		6048	6381	333
18 341	Transportation Equipment		12960	16049	3089
19 342	Stores Equipment				
20 343	Tools, Shop and Garage Equipment		9688	10067	379
21 344	Laboratory Equipment				
22 345	Power Operated Equipment				
23 346	Communications Equipment				
24 347	Miscellaneous Equipment				
25 348	Other Tangible Property				
26	TOTALS (Add Lines 1 - 25)		316828	346314	29486

Enter beginning & end of year totals on Pg 7, Line 7

Name: Falls Water Company, Inc.

BALANCE SHEET

For Year Ended December 31, 2003

		<u>ASSETS</u>	Balance Beginning of Year	Balance End of Year	Increase or (Decrease)
ACCT #	DESCRIPTION				
1	101	Utility Plant in Service (From Pg 5, Line 29)	592483	672958	80475
2	102	Utility Plant Leased to Others			
3	103	Plant Held for Future Use			
4	105	Construction Work in Progress			
5	114	Utility Plant Aquisition Adjustment			
6		Subtotal (Add Lines 1 - 5)	592483	672958	80475
7	108.1	Accumulated Depreciation (From Pg 6, Line 26)	316828	346314	29486
8	108.2	Accum. Depr. - Utility Plant Lease to Others			
9	108.3	Accum. Depr. - Property Held for Future Use			
10	110.1	Accum. Amort. - Utility Plant in Service			
11	110.2	Accum. Amort. - Utility Plant Lease to Others			
12	115	Accumulated Amortization - Aquisition Adj.			
13		Net Utility Plant (Line 6 less lines 7 - 12)	275655	326644	50989
14	123	Investment in Subsidiaries			
15	125	Other Investments			
16		Total Investments (Add lines 14 & 15)	0	0	0
17	131	Cash	12735	36287	23552
18	135	Short Term Investments			
19	141	Accts/Notes Receivable - Customers	34384	34096	-288
20	142	Other Receivables			
21	145	Receivables from Associated Companies			
22	151	Materials & Supplies Inventory			
23	162	Prepaid Expenses			
24	173	Unbilled (Accrued) Utility Revenue			
25	143	Provision for Uncollectable Accounts			
26		Total Current (Add lines 17 -24 less line 25)	47119	70383	23264
27	181	Unamortized Debt Discount & Expense			
28	183	Preliminary Survey & Investigation Charges			
29	184	Deferred Rate Case Expenses			
30	186	Other Deferred Charges			
31		Total Assets (Add lines 13, 16 & 26 - 30)	322774	397027	74253

Name: Falls Water Company, Inc.

BALANCE SHEET

For Year Ended December 31, 2003

LIABILITIES & CAPITAL

ACCT #	DESCRIPTION	Balance Beginning of Year	Balance End of Year	Increase or (Decrease)
1	201-3 Common Stock	25000	25000	0
2	204-6 Preferred Stock			
3	207-13 Miscellaneous Capital Accounts			
4	214 Appropriated Retained Earnings			
5	215 Unappropriated Retained Earnings	52177	34468	-17709
6	216 Reacquired Capital Stock			
7	218 Proprietary Capital			
8	Total Equity Capital (Add Lines 1-5+7 less line 6)	77177	59468	-17709
9	221-2 Bonds			
10	223 Advances from Associated Companies	122541	121164	-1377
11	224 Other Long - Term Debt			
12	231 Accounts Payable	21523	5970	-15553
13	232 Notes Payable	49283	60944	11661
14	233 Accounts Payable - Associated Companies	6047	11077	5030
15	235 Customer Deposits (Refundable)			
16	236.11 Accrued Other Taxes Payable	1364	0	-1364
17	236.12 Accrued Income Taxes Payable			
18	236.2 Accrued Taxes - Non-Utility			
19	237-40 Accrued Debt, Interest & Dividends Payable			
20	241 Misc. Current & Accrued Liabilities			
21	251 Unamortized Debt Premium			
22	252 Advances for Construction			
23	253 Other Deferred Liabilities			
24	255.1 Accumulated Investment Tax Credits - Utility			
25	255.2 Accum. Investment Tax Credits - Non-Utility			
26	261-5 Operating Reserves			
27	271 Contributions in Aid of Construction	44200	139226	95026
28	272 Accum. Amort. of Contrib. in Aid of Const. **	-658	-2118	-1460
29	281-3 Accumulated Deferred Income Taxes			
30	Total Liabilities (Add lines 9 - 29)	244300	336263	91963
31	TOTAL LIAB & CAPITAL (Add lines 8 & 30)	321477	395731	74254

**** Only if Commission Approved**

Name: Falls Water Company, Inc.

STATEMENT OF RETAINED EARNINGS
 For Year Ended December 31, 2003

1	Retained Earnings Balance @ Beginning of Year	53542
2	Amount Added from Current Year Income (From Pg 4, Line 32)	(19,913)
3	Other Credits to Account	
4	Dividends Paid or Appropriated	
5	Other Distributions of Retained Earnings	
6	Retained Earnings Balance @ End of Year	33629

CAPITAL STOCK DETAIL

	Description (Class, Par Value etc.)	No. Shares Authorized	No. Shares Outstanding	Dividends Paid
7	COMMON	1000	25	

DETAIL OF LONG-TERM DEBT

	Description	Interest Rate	Year-end Balance	Interest Paid	Interest Accrued
8	Wilcox Construction	6%	116121	7551	
	Wilcox Construction	8%	5043	965	

Name: Falls Water Company, Inc.

SYSTEM ENGINEERING DATA

For Year Ended December 31, 2003

1 Provide an updated system map if significant changes have been made to the system during the year.

2 Water Supply:

Pump Designation or location	Rated Capacity (gpm)	Type of Treatment: (None, Chlorine Fluoride Filter etc.)	Annual Production (000's Gal.)	Water Supply Source (Well, Spring, Surface Wtr)
WELL #1	750	SAND SEP	31218	WELL
WELL #2	400		76880	WELL
WELL #3	200		30976	WELL
WELL #4	1500	SAND SEP	192962	WELL
WELL #5	750	SAND SEP	285608	WELL
PUMP #6	600	SAND SEP	188522	WELL
PUMP #7	600		25581	WELL
WELL #8	1500		97044	WELL
Sargent Well	30		4370	WELL

3 System Storage:

Storage Designation or Location	Total Capacity 000's Gal.	Usable Capacity 000's Gal.	Type of Reservoir (Elevated, Pressurized, Boosted)	Construction (Wood, Steel Concrete)
WELL 2/4	5	1.8	Pressurized	Steel

(Duplicate form and attach if necessary. Asterisk facilities added this year.)

Name: Falls Water Company, Inc.

**SYSTEM ENGINEERING DATA
(continued)**

For Year Ended December 31, 2003

4 Pump information for ALL system pumps, including wells and boosters.

Designation or Location & Type of Pump**	Horse Power	Rated Capacity (gpm)	Discharge Pressure (psi)	Energy Used This Year
Well #2 Turbine Pump #2	40	400	65	
Well #4 Turbine Pump #4	150	1500	65	
Well #6 Submersible Pump #6	75	600	65	
Well #7 Submersible Pump #7	75	600	65	
SUBTOTAL OF ABOVE	The Above are all on one Power meter Totaling			700720
Well #1 Turbine Pump #1	75	750	65	76077
Well #3 Submersible Pump #3	30	200	65	73274
Well #5 Turbine Pump #5	75	750	65	266502
Well #8 Turbine Pump #8	150	1500	65	186080
Sargent Well submersible Pump	10	30	60	23304

**** Submit pump curves unless previously provided or unavailable. Asterisk facilities added this year.
Attach additional sheets if inadequate space is available on this page.**

- 5 If Wells are metered:
- What was the total amount pumped this year? 928790833
- What was the total amount pumped during peak month? 208087
- What was the total amount pumped on the peak day? No Record
- 6 If customers are metered, what was the total amount sold in peak month? 112768
- 7 Was your system designed to supply fire flows? Yes
- If Yes: What is current system rating? 4
- 8 How many times were meters read this year? 7
- During which months? April, May, June, July, August, September, October
-
- 9 How many additional customers could be served with no system improvements except a service line and meter? 200
- How many of those potential additions are vacant lots? 90
- 10 Are backbone plant additions anticipated during the coming year? No
- If Yes, attach an explanation of projects and anticipated costs!
- 11 In what year do you anticipate that the system capacity (supply, storage or distribution) will have to be expanded? 2005

Name: Falls Water Company, Inc.

**SYSTEM ENGINEERING DATA
(continued)**

For Year Ended December 31, 2003

FEET OF MAINS

1	Pipe Size	In Use Beginning Of Year	Installed During Year	Abandoned During Year	In Use End of Year
	2"	1532.95			1532.95
	4"	2262.64			2262.64
	6"	85721.77	10656		96377.77
	8"	23837.34	4013		27850.34
	10"	21191.95	1007		22198.95
	12"	4512.17	200		4712.17

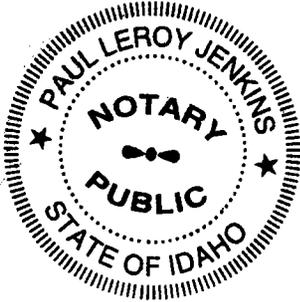
CUSTOMER STATISTICS

		Number of Customers		Thousands of Gallons Sold	
		This Year	Last Year	This Year	Last Year
2	Metered:				
2A	Residential	1541	1357	457313	385499
2B	Commercial	32	30	25173	22464
2C	Industrial				
3	Flat Rate:				
3A	Residential	623	619	N/A	N/A
3B	Commercial				
3C	Industrial				
4	Private Fire Protection				
5	Public Fire Protection	185	166	N/A	N/A
6	Street Sprinkling				
7	Municipal, Other				
8	Other Water Utilities				
	TOTALS (Add lines 2 through 8)	2381	2172	482486	407963

CERTIFICATE

State of Idaho)
) ss
County of _____)

WE, the undersigned Kelly D. Howell, President
and _____
of the Falls Water Company, Inc.
utility, on our oath do severally say that the foregoing report has been prepared under our direction,
from the original books, papers and records of said utility; that we have carefully examined same, and
declare the same to be a correct statement of the business and affairs of said utility for the period
covered by the report in respect to each and every matter and thing therein set forth, to the best of our
knowledge, information and belief.



Kelly D. Howell
(Chief Officer)

(Officer in Charge of Accounts)

Subscribed and Sworn to Before Me

this 15 day of APRIL, 2004

Paul Jenkins
NOTARY PUBLIC

My Commission Expires 6 MARCH 2010

gdk/excel/jnelson/anulrpts/wtrannualrpt