FALLS WATER COMPANY

1770 Sabin Dr, Idaho Falls, Idaho 83406-6747 Tel.: (208) 522-1300
Website: www.fallswater.com Fax: (208) 522-4099

July 28, 2006

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

FLS-W-06-01

ATTENTION COMMISSION SECRETARY AND HEAD LEGAL SECRETARY

Falls Water Company Inc. requests that the Commission issue an Order approving issuance of these securities on or before August 25, 2006.

Enclosed with this cover letter is the Company's Application for approval to incur debt of $1,200,000 through the State Drinking Water Revolving Fund. Also enclosed is our check to the Commission in the amount of $345.00 for payment of the filing fees.

Sincerely,

K. Scott Bruce

K. Scott Bruce
General Manager

K. Scott Bruce
Falls Water Company, Inc.
1770 Sabin Dr.
Idaho Falls, ID 83406
Tel. (208) 522-1300
Fax (208) 522-4099
E-mail: scott1@fallswater.com
Representative for **Falls Water Company, Inc.**

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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF FALLS WATER COMPANY, INC.) CASE NO. FLS-W-06-1
FOR AUTHORITY TO INCUR DEBT)

APPLICATION

FALLS WATER COMPANY' INC. (Company or Applicant) is an Idaho Corporation that serves potable water to areas in Bonneville County, Idaho. The Company serves residential and commercial customers within in its service area located north of the City of Ammon and northeast of the City of Idaho Falls.

Application is made to the Commission to authorize Falls Water Company, Inc. to incur debt through the State Drinking Water Revolving Loan Account administered through the Idaho Department of Environmental Quality (DEQ). Application has been made to DEQ for a loan in the amount of $1,200,000. Terms of the loan will include an annual interest rate of 3.25% for a period of twenty (20) years with semiannual payments of interest and principal in the amount of $41,033.67. In addition, the Company will be required to establish within five (5) years of the start of the loan, a reserve account (prepayment) equal to one (1) years payment obligations. Attached Exhibit No. 1 shows the loan amortization schedule that will commence after the loan is closed. The loan will not be closed until the project for which the loan is required is completed in approximately one (1) year.

The purpose of the loan is to purchase land, construct a new well, well house and purchase the necessary water rights for the well. This new well is necessary to correct low pressure and system capacity deficiencies in the Company's system. Attached Exhibit No. 2 is a six (6) page exhibit composed of correspondence from our engineering consultant Schiess & Associates regarding the results of a water model that was run on the water system in 2004. As shown in that exhibit, it is essential that the Company add new water supply capacity to its system.

Page 1 of Exhibit No. 3 attached to this application is our engineers estimated costs for completing this project. As shown on that exhibit, the total estimated cost exceeds the amount of the DEQ loan request. The Company has been collecting "Contributions in Aid of Construction" from land developers. Those contributions will

be utilized to fund the remainder of the project costs. Page 2 of Exhibit No. 3 is the engineers estimated time-line for completing the project. That schedule shows that the entire project should take approximately one (1) year to complete.

Attached Exhibit No. 4 is a June 20, 2006 letter from the DEQ Loan Officer with whom the Company has been working regarding this project. That letter, although not a firm commitment, indicates the Company will likely be approved for this loan.

Copies of the Company's 2005 Balance Sheet and Income Statement filed with the Commission are attached as Exhibit No. 5.

Even though the loan will not be finalized until the project is completed, the Company must have the Commissions approval prior to commencing construction and acquisition of water rights and land. The DEQ will begin funding the project as soon as the Company receives the Commissions approval to incur the debt and when final approval for the loan is received from the DEQ Board.

Applicant certifies that a notice regarding this Application will be published in the legal notices section of the Post Register newspaper within seven (7) days of the date this Application is filed with the Commission. Exhibit No. 6 is a copy of that notice.

Falls Water Company Inc. requests that the application be considered by the Commission under the rules of Modified Procedure.

Applicant respectfully request expeditious and favorable consideration of this application. Please direct any questions or correspondence regarding this application to the applicant as indicated on page 1.

Dated this 28th day of July 2006.

Respectfully submitted,
Falls Water Company Inc.

K. Scott Bruce, General Manager

Falls Water Co.
Loan Amortization Schedule

Beginning Balance	$ 1,200,000.00	
Interest Rate	3.25%	
Term 20	20	
No. of Pmnts	40	

Payment	Loan Pmnt	interest	Principal	Balance	Reserve Prepay	Toal Cash
1	$ 41,033.67	$ 19,500.00	$ 21,533.67	$ 1,178,466.33	$ 4,103.37	$ 45,137.04
2	41,033.67	19,150.08	21,883.59	1,156,582.74	4,103.37	45,137.04
3	41,033.67	18,794.47	22,239.20	1,134,343.54	4,103.37	45,137.04
4	41,033.67	18,433.08	22,600.59	1,111,742.95	4,103.37	45,137.04
5	41,033.67	18,065.82	22,967.85	1,088,775.10	4,103.37	45,137.04
6	41,033.67	17,692.60	23,341.07	1,065,434.03	4,103.37	45,137.04
7	41,033.67	17,313.30	23,720.37	1,041,713.66	4,103.37	45,137.04
8	41,033.67	16,927.85	24,105.82	1,017,607.84	4,103.37	45,137.04
9	41,033.67	16,536.13	24,497.54	993,110.30	4,103.37	45,137.04
10	41,033.67	16,138.04	24,895.63	968,214.67	4,103.37	45,137.04
11	41,033.67	15,733.49	25,300.18	942,914.49		41,033.67
12	41,033.67	15,322.36	25,711.31	917,203.18		41,033.67
13	41,033.67	14,904.55	26,129.12	891,074.06		41,033.67
14	41,033.67	14,479.95	26,553.72	864,520.34		41,033.67
15	41,033.67	14,048.46	26,985.21	837,535.13		41,033.67
16	41,033.67	13,609.95	27,423.72	810,111.40		41,033.67
17	41,033.67	13,164.31	27,869.36	782,242.04		41,033.67
18	41,033.67	12,711.43	28,322.24	753,919.81		41,033.67
19	41,033.67	12,251.20	28,782.47	725,137.33		41,033.67
20	41,033.67	11,783.48	29,250.19	695,887.15		41,033.67
21	41,033.67	11,308.17	29,725.50	666,161.64		41,033.67
22	41,033.67	10,825.13	30,208.54	635,953.10		41,033.67
23	41,033.67	10,334.24	30,699.43	605,253.67		41,033.67
24	41,033.67	9,835.37	31,198.30	574,055.37		41,033.67
25	41,033.67	9,328.40	31,705.27	542,350.10		41,033.67
26	41,033.67	8,813.19	32,220.48	510,129.62		41,033.67
27	41,033.67	8,289.61	32,744.06	477,385.55		41,033.67
28	41,033.67	7,757.52	33,276.15	444,109.40		41,033.67
29	41,033.67	7,216.78	33,816.89	410,292.51		41,033.67
30	41,033.67	6,667.25	34,366.42	375,926.09		41,033.67
31	41,033.67	6,108.80	34,924.87	341,001.22		41,033.67
32	41,033.67	5,541.27	35,492.40	305,508.82		41,033.67
33	41,033.67	4,964.52	36,069.15	269,439.67		41,033.67
34	41,033.67	4,378.39	36,655.28	232,784.39		41,033.67
35	41,033.67	3,782.75	37,250.92	195,533.47		41,033.67
36	41,033.67	3,177.42	37,856.25	157,677.22		41,033.67
37	41,033.67	2,562.25	38,471.42	119,205.80		41,033.67
38	41,033.67	1,937.09	39,096.58	80,109.22		41,033.67
39	41,033.67	1,301.77	39,731.90	40,377.33		41,033.67
40	41,033.46	656.13	40,377.33	0.00		41,033.46

Exhibit No. 1

Schiess & Associates
ENGINEERING • PLANNING • LAND SURVEYING

7103 SOUTH 45TH WEST, IDAHO FALLS, ID 83402
OFFICE: (208) 522-1244 • FAX: (208) 522-9232

REXBURG, ID
OFFICE: (208) 356-6092 • FAX: (208) 356-6468

July 19, 2004

Scott Bruce
Falls Water Company Inc.
2025 E. First Street
Idaho Falls, ID 83401
(208) 522-1300

RE: Acceptable Future Development – Water Model Findings – 04097

Dear Scott,

Based on our meeting on July 9th, we have run water models for the current year, 2005, and 2006. The purpose of these runs was to determine the number and location of acceptable lots which can be added to the Falls Water system. We have based these runs on the model that was developed for the facilities planning study (FPS) as well as recent water connections, locations of unimproved lots, and 8% annual growth as out lined in the FPS. Although demand was added to specific subdivisions, their actual location within an area makes little difference in the model. The subdivisions have been grouped into the following two areas:

Subdivision Grouping

North	South
Ammon Industrial	Centennial
Calico Sky	Crimson
Cornerstone	Fairmont
Denise	Fall Creek
Lincoln Industrial	Green Oak
Summit Park	North Springs
Victor Hanks	Stone Arbor
	Warm Springs

The following table shows number of lots added in the model to each area to represent demand in the years indicated.

	2003	2004	2005	2006
North		81	144	123
South		127	63	103
Total Lots Added		208	207	225
Total peak demand (gpm)	6,630	7,160	7,733	8,352

Exhibit No. 2
pg 1 of 6

When the models were run with the appropriate yearly demands, the following peak pressures (in psi) were reported:

	2004	2005	2006
Calico Sky	42	26	8
Caribou	34	22	1
Centennial	40	26	3
Cloverdale	39	27	5
Cornerstone	50	37	19
Crimson	36	29	4
Falls Brook	53	41	24
Henderson	51	41	21
Hitt	49	38	30
Lawndale	53	42	26
Lincoln	44	31	13
McDonalds	54	43	25
Summit	44	29	11

The model was run with the new 12-inch line on Lincoln Road in place. The benefits of this line to help increase supply to North Springs and Caribou Meadows are lessened in part by the strong growth at Summit Park and Calico Sky.

Tony Wise of Falls Water indicated that pressures in Caribou Meadows have dropped to only 45 psi in the recent past, instead of 35 as calculated by the model. This difference in pressures is understandable considering the assumptions that were used in preparing the model. The peak for Falls Water was established by finding the highest flow during the summer of 2003 which was larger than the average day by a factor of 3.7. The peak factor used in the model was 4.0. The weather for the last few weeks has been cooler and wetter than we usually see this time of year which means that the system has not likely achieved a peak as high as the peak used in the model.

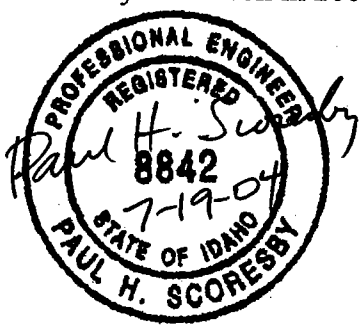
If growth occurs at a rate of 8% as reported in the FPS, then by the summer of 2005, pressures will fall below the required level of 40 psi under peak conditions.

Exhibit No 2
pg 2 of 6

Models were run with future 1,500 gpm wells on Iona Road and Crowley Road. The following peak pressures (in psi) were reported for just one well at Iona Road and for both wells:

	With well on Iona		With wells on Iona and Crowley	
	2005	2006	2005	2006
Calico Sky	70	63	81	76
Carabou	50	38	73	68
Centennial	53	39	78	71
Cloverdale	54	42	81	75
Cornerstone	67	59	81	77
Crimson	53	41	74	69
Falls Brook	68	60	83	79
Henderson	71	63	82	78
Hitt	64	58	72	69
Lawndale	69	61	83	79
Lincoln	62	53	77	72
McDonalds	70	61	84	80
Summit	70	62	80	76

It is evident that Falls Water Company should pursue development of the Iona Road well in 2005 and the Crowley Road well in 2006 at the latest in order to keep supply in pace with demand.



Paul H. Scoresby, PE

Chris A. Park

Exhibit No 2
pg. 3 of 6

Schiess & Associates
CONSULTING ENGINEERS

Schiess & Associates
ENGINEERING • PLANNING • LAND SURVEYING

7103 SOUTH 45TH WEST, IDAHO FALLS, ID 83402
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REXBURG, ID
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June 25, 2004

Scott Bruce
Falls Water Company Inc.
2025 E. First Street
Idaho Falls, ID 83401
(208) 522-1300

RE: Calico Sky – Divisions 1 through 7 – Water Model Findings
Project No. 04097

Dear Scott,

As requested, we have updated the water model to include the Calico Sky Subdivision, Divisions 1 through 7 per the attached plan. The water model was run under varying criteria and the minimum pressures in Calico Sky were noted. The fire scenarios were run under peak hour conditions as required by Idaho Rules for Public Drinking Water Standards (IDAPA 58.01.08). The average demand was calculated and evenly distributed to each model node using 50 acres and 1.757 $^{gpm}/_{ac}$. This average demand was calculated from Falls Water Company's flow records. A peak hour factor of 4 times the average day was used. The minimum Calico Sky pressures are presented in the following table:

Average Day	83 psi
Max Day	66 psi
Peak Hour	10 psi
Peak Hour – with 1,000 gpm fire in northwest corner	near 0 psi
Peak Hour – without well 5	near 0 psi
Peak Hour – without Well 5 – with 1,000 gpm fire	near 0 psi

As this table shows, the existing Falls Water system will not adequately provide water to the proposed Calico Sky additions under peak hour and fire flow conditions when Calico Sky and Summit Park are fully built out. The Calico Sky and Summit Park subdivisions are served primarily by Well #5 which can supply 750 gpm at 80 psi. The combined peak hour demand for Calico and Summit at build out is 1,360 gpm.

With the proposed plan, Calico Sky will rely exclusively on one pipe in the southwest corner of the subdivision for all their water supply. If the Calico Sky subdivision is approved, a new well should be constructed in the near future to provide another supply source, preferably on Iona Road. This is also in keeping with the findings of the overall water system study. You will receive a draft copy of this study in approximately two weeks after we receive your comments made from the pre-draft copy.

Exhibit No 2
pg 4 of 6

Future looping should be facilitated by placing an 8-inch line on Azure Drive from Vision Drive to Iona Road. This 8-inch line will decrease head losses and improve pressures. This plan also prepares the system for future tie-in looping to Michelle Street as considered in the previously noted water study for the area.

We recommend that a 12-inch line be placed between lots 2 and 3 in Division 1 to tie into the existing 12-inch line coming from Well #5 on Ammon Road. At a minimum, an 8-inch line should be laid from the 12-inch line in the southwest corner to Clear Day Drive and up Ammon Road to Woodside Drive in Summit Park to tie the two subdivisions together. Pipes that are planned to extend to future developments should be extended to the end of the proposed development to facilitate future expansion. Flushing hydrants should be placed on all dead ends (temporary or permanent) and cul-de-sacs. Flush hydrants in dead-ends and cul-de-sacs should be flushed twice each year as per IDAPA 58.01.08.

The model was run without the planned 12-inch line north of Calico Sky on Iona Road because the line will not immediately tie into Summit Park. The 12-inch line should be placed to provide future trunk line looping and to connect to a new well on Iona Road.

The Summit Park water model review letter dated May 3, 2004 indicated that the existing Falls Water system will adequately provide water to the Summit Park additions. This conclusion was based on an incorrect assumption in the water model. The model has been corrected and run again to model Summit Park without Calico Sky. The results of this corrected model show that under peak hour conditions the water pressure in Summit Park will be 28 psi. This is below the allowed pressure of 40 psi. The system will also not be able to supply water for a 1,000 gpm fire at a minimum 20 psi pressure when combined with peak demands as required by IDAPA 58.01.08. This corrected water model helps explain why the current system cannot provide acceptable pressures under peak hour demand as shown on the table on the previous page. It is also noteworthy to inform you that the latest revision of IDAPA 58.01.08 modified the water model criteria. The revisions of the past allowed the fire flows to be combined with max day demand. The current revision requires fire flow to be combined with peak hour demand which is significantly higher. The current revision also increased the minimum allowed water pressure at peak hour from 35 psi to 40 psi. These changes force water systems to provide additional well and pump capacities above those required in the past.

To enable Calico Sky and the entirety of Summit Park to hookup to your water system, an additional well should be constructed near Iona Road. The new well was placed in the model in accordance with our study findings. A new well capable of supplying 1,500 gpm @ 80 psi will support these subdivisions and will produce the following minimum pressures, shown in the table below:

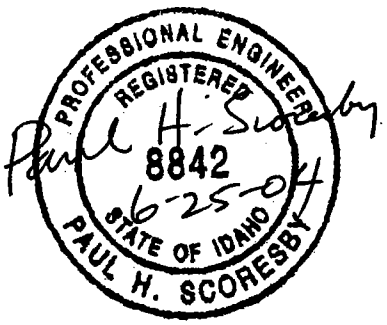
Average Day	80 psi
Max Day	80 psi
Peak Hour	61 psi
Peak Hour – with 1,000 gpm fire in northeast corner of Summit	29 psi
Peak Hour – without well 5	35 psi
Peak Hour – without Well 5 – with 1,000 gpm fire	near 0 psi

Exhibit No 2
pg 5 of 6

Although a well supplying 1,500 gpm will satisfy the Summit Park and Calico Sky additions, future demand in currently undeveloped areas nearby will require greater flow. Our water study model for the future scenario was run with a 3,000 gpm supply from the new well location. This increased supply will be possible with a 1,500 gpm well along with a tank and booster pump station. The tank and booster pumps or an additional well, will be required to supply future development demand.

It is imperative that a new well be planned immediately to supply peak flow and fire flow demands to the Summit Park and Calico Sky subdivisions. In addition, we have learned in the overall water study that your water rights are deficient. Water rights should be obtained for the new well that will serve these subdivisions. Even if Calico Sky is not built right away, a new well should be planned on Iona Road as indicated in the overall water system study. We expect you to return to us the pre-draft copy of chapters 3, and 5-8 of the water study by July 2, 2004 so that we can produce a complete draft of chapters 1-8 and submit it to you and DEQ. We are anxious, as you are, to release the data we have gathered to the regulators so that together we can initiate an improvement plan.

Please call if you have any questions.



Paul H. Scoresby, PE

Chris A. Park

Attachment: Calico Sky Subdivision map
Water Model Calculations

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Exhibit No 2
pg 6 of 6

Exhibit B - Engineer Opinion of Probable Project Cost

Item No.	Item	Unit	Quantity	Unit Cost	Total Cost
Construction Costs					
1	New well, 20" dia. Casing, approximately 350 feet deep on future booster station and tank site	lump sum	1	$223,050	$223,050
2	Building piping including flowmeter, valves, air relief, transducer, pressure guage, prelube line, future chlorination injection port & visible piping	lump sum	1	$25,000	$25,000
3	Site piping including pipe, valves, fittings, pump to waste, hookup to existing system, etc.	lump sum	1	$15,000	$15,000
4	Well building expandable for a booster pump station and chlorination.	square feet	720	$160	$115,200
5	300 Hp deep well pump, column, VFD & controls	lump sum	1	$55,000	$55,000
6	Emergency generator (sized to also operate future booster pumps), transfer switch & diesel tank	lump sum	1	$135,000	$135,000
7	Fencing	lineal foot	1050	$15	$15,750
Total estimated probable construction cost					**$584,000**
Soft Costs					
8	Water right purchase	acre-ft	1500	$500	$750,000
9	Property for booster station, tank & well	lump sum	1	$60,000	$60,000
10	Engineering, administration & financing @ 25% of construction				$146,000
11	Contingency				$10,000
Total Estimated Probable Project Cost					**$1,550,000**

Project Budget		
1	DEQ loan	$1,200,000
2	Local Cash	$350,000
Total estimated cost		**$1,550,000**

FWC Out of Pocket Costs
*IDWR drilling permit fees
*Electrical costs that must be paid directly to Utah Power to get power to the site
*Other utility costs that must be paid to get services to the site
*Legal services associated with the project
*Advertisement costs

Not Included in Schiess Contract
*Extensive acquisition assistance for water rights or property
*Extensive PUC coordination such as for trips to Boise and etc.
*Future SCADA hookup starting from a termination panel

7

Exhibit C - Project Schedule

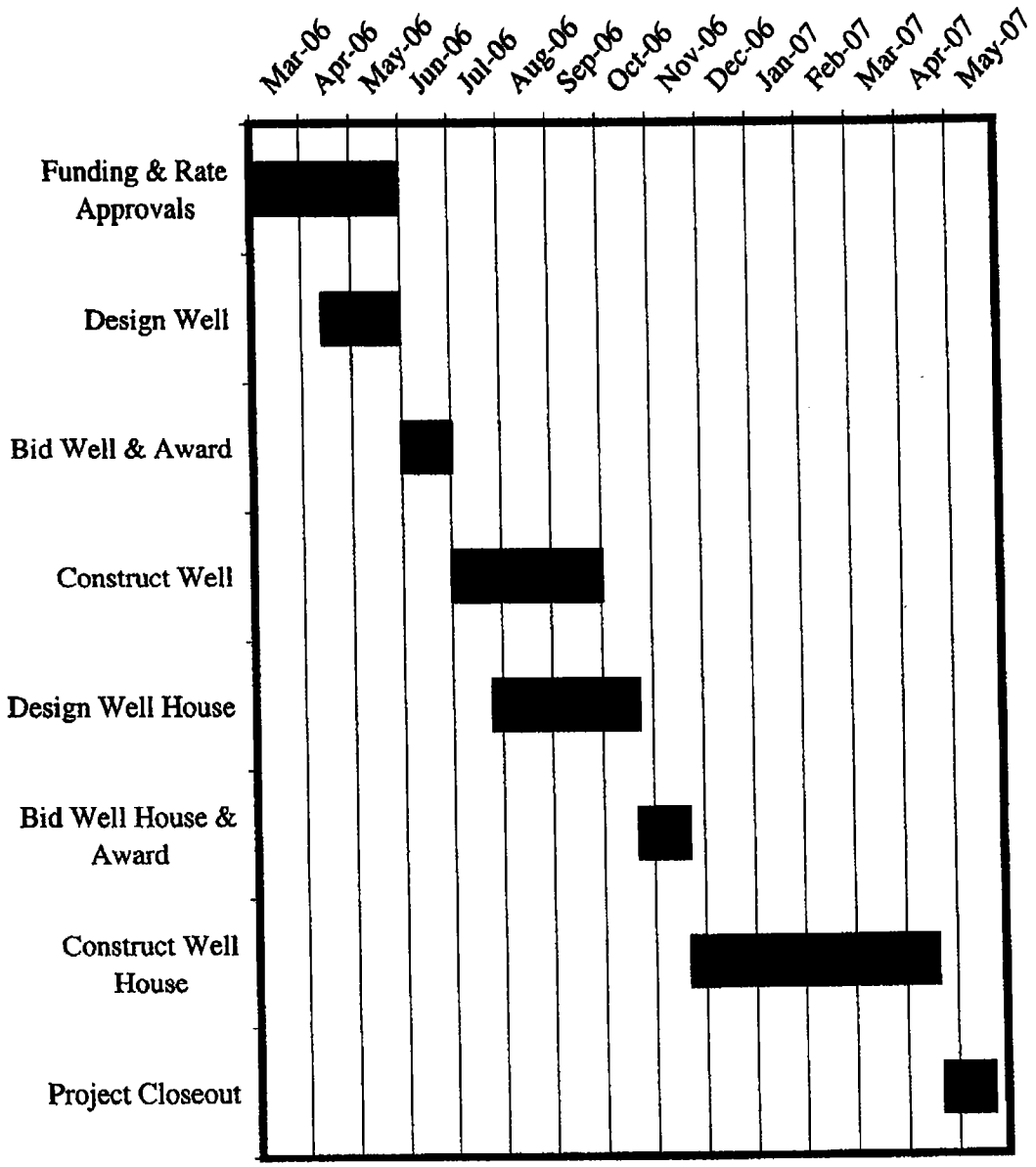

Exhibit No 3
pg 2 of 2
Professional Services Contract

STATE OF IDAHO
DEPARTMENT OF
ENVIRONMENTAL QUALITY

1410 North Hilton Boise, Idaho 83706-1255 • (208) 373-0502

Dirk Kempthorne, Governor
Toni Hardesty, Director

June 20, 2006

Scott Bruce
Falls Water System
2025 East 1st Street
Idaho Falls, Idaho 83401

Dear Mr. Bruce:

This letter shall serve as a statement of intent by the Idaho Department of Environmental Quality (Department) to the Falls Water System (System) to loan the System the sum of approximately $1,200,000 for costs related to the construction of a new well. The new well will be used to supply drinking water to System customers, correcting low pressure and system capacity deficiencies.

The final loan approval is contingent upon Priority List approval by the Department's Board and the System complying with application requirements. Neither of these two qualifications is considered problematic.

Please call me with any questions that you might have. I can be reached at (208) 373-0439.

Sincerely

Tim Wendland, CPA
Loan Officer

c: Willie Teuscher, DEQ Idaho Falls Regional Office
COF

Exhibit No 4

NAME: Falls Water Company, Inc.

REVENUE & EXPENSE DETAIL

For the Year Ended December 31, 2005

	ACCT #	DESCRIPTION		
		400 REVENUES		
1	460	Unmetered Water Revenue	122,168	
2	461.1	Metered Sales - Residential	373,867	
3	461.2	Metered Sales - Commercial, Industrial	12,884	
4	462	Fire Protection Revenue	-	
5	464	Other Water Sales Revenue	677	
6	465	Irrigation Sales Revenue	-	
7	466	Sales for Resale	-	
8	400	Total Revenue (Add Lines 1 - 7) (also enter result on Page 4, line 1)		509,595
9		* DEQ Fees Billed separately to customers		Booked to Acct #
10		** Hookup or Connection Fees Collected	205,300	Booked to Acct # 271
11		***Commission Approved Surcharges Collected		Booked to Acct #
		401 OPERATING EXPENSES		
12	601.1-6	Labor - Operation & Maintenance	100,014	
13	601.7	Labor - Customer Accounts	7,449	
14	601.8	Labor - Administrative & General	94,186	
15	603	Salaries, Officers & Directors	13,824	
16	604	Employee Pensions & Benefits	13,406	
17	610	Purchased Water	1,112	
18	615-16	Purchased Power & Fuel for Power	78,469	
19	618	Chemicals	-	
20	620.1-6	Materials & Supplies - Operation & Maint.	29,240	
21	620.7-8	Materials & Supplies - Administrative & General	35,861	
22	631-34	Contract Services - Professional	9,002	
23	635	Contract Services - Water Testing	2,580	
24	636	Contract Services - Other	16,518	
25	641-42	Rentals - Property & Equipment	16,705	
26	650	Transportation Expense	19,478	
27	656-59	Insurance	9,468	
28	660	Advertising	2,458	
29	666	Rate Case Expense (Amortization)	-	
30	667	Regulatory Comm. Exp. (Other except taxes)	431	
31	670	Bad Debt Expense	5,296	
32	675	Miscellaneous	12,684	
33		**Total Operating Expenses (Add lines 12 - 32, also enter on Pg 4, line 2)**		468,183

Exhibit No 5
pg 1 of 4

Name: Falls Water Company, Inc.

INCOME STATEMENT

For Year Ended December 31, 2005

	ACCT #	DESCRIPTION			
1		Revenue (From Page 3, line 8)		509,595	
2		Operating Expenses (From Page 3, line 33)	468,183		
3	403	Depreciation Expense	43,293		
4	406	Amortization, Utility Plant Aquisition Adj.			
5	407	Amortization Exp. - Other			
6	408.10	Regulatory Fees (PUC)	1,320		
7	408.11	Property Taxes	6,890		
8	408.12	Payroll Taxes			
9A	408.13	Other Taxes (list) DEQ Fees			
9B					
9C					
9D					
10	409.10	Federal Income Taxes			
11	409.11	State Income Taxes	30		
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)		519,716	
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)			(10,121)
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		14,878	
25	426	Miscellaneous Non-Utility Expense		1,883	
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)			12,996
29		Gross Income (add lines 19 & 28)			2,875
30	427.3	Interest Exp. on Long-Term Debt			12,127
31	427.5	Other Interest Charges			
32		NET INCOME (Line 29 less lines 30 & 31) (Also Enter on Pg 9, Line 2)			(9,252)

Exhibit No 5
pg 2 of 4

Name: Falls Water Company, Inc.

BALANCE SHEET

For Year Ended December 31, 2005

ASSETS

	ACCT #	DESCRIPTION	Balance Beginning of Year	Balance End of Year	Increase or (Decrease)
1	101	Utility Plant in Service (From Pg 5, Line 29)	1,010,734	1,176,624	165,890
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)	1,010,734	1,176,624	165,890
7	108.1	Accumulated Depreciation (From Pg 6, Line 26)	362,798	419,035	56,237
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)	647,936	757,588	109,652
14	123	Investment in Subsidiaries			
15	125	Other Investments			
16		Total Investments (Add lines 14 & 15)			
17	131	Cash	126,484	271,019	144,535
18	135	Short Term Investments			
19	141	Accts/Notes Receivable - Customers	40,629	60,409	19,780
20	142	Other Receivables	-	58,187	58,187
21	145	Receivables from Associated Companies			
22	151	Materials & Supplies Inventory			
23	162	Prepaid Expenses	-	1,876	1,876
24	173	Unbilled (Accrued) Utility Revenue			
25	143	Provision for Uncollectable Accounts	1,300	1,300	-
26		Total Current (Add lines 17 -24 less line 25)	165,813	390,192	224,379
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)**	813,749	1,147,780	334,031

Exhibit No 5
pg 3 of 4

Name: Falls Water Company, Inc.

BALANCE SHEET

For Year Ended December 31, 2005

LIABILITIES & CAPITAL

	ACCT #	DESCRIPTION	Balance Beginning of Year	Balance End of Year	Increase or (Decrease)
1	201-3	Common Stock	25,000	25,000	-
2	204-6	Preferred Stock			
3	207-13	Miscellaneous Capital Accounts			
4	214	Appropriated Retained Earnings			
5	215	Unappropriated Retained Earnings	114,717	100,167	(14,550)
6	216	Reacquired Capital Stock			
7	218	Proprietary Capital			
8		Total Equity Capital (Add Lines 1-5+7 less line 6)	139,717	125,167	(14,550)
9	221-2	Bonds			
10	223	Advances from Associated Companies	115,966	105,378	(10,588)
11	224	Other Long - Term Debt	77,232	259,363	182,131
12	231	Accounts Payable	25,979	6,235	(19,744)
13	232	Notes Payable	233,159	27,573	(205,586)
14	233	Accounts Payable - Associated Companies	14,951	20,674	5,723
15	235	Customer Deposits (Refundable)			
16	236.11	Accrued Other Taxes Payable			
17	236.12	Accrued Income Taxes Payable	4,054	30	(4,024)
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	208,875	622,491	413,616
28	272	Accum. Amort. of Contrib. in Aid of Const. **	(5,827)	(19,131)	(13,304)
29	281-3	Accumulated Deferred Income Taxes			
30		Total Liabilities (Add lines 9 - 29	674,389	1,022,612	348,223
31	**TOTAL LIAB & CAPITAL (Add lines 8 & 30)**		814,106	1,147,779	333,673

**** Only if Commission Approved**

LEGAL NOTICE

Falls Water Company Inc. filed an application with the Idaho Public Utilities Commission (PUC) on July 28th 2006 for authorization to incur debt. The Company is seeking authorization to borrow $1,200,000 from the State Drinking Water Revolving Fund administered through the Idaho Department of Environmental Quality.

The purpose of the loan is to provide funds to acquire land and water rights and construct a new well to meet the demands of the Company's water customers.

A copy of the Application is available for inspection at the Idaho Public Utilities Commission, 472 W. Washington St., Boise, Idaho and at the Company's office at 1770 Sabin Dr., Idaho Falls, Idaho. The Application is also available on-line at the PUC web site www.puc.idaho.gov.

Comments regarding this application should be mailed to the Company and to the PUC at P.O. Box 83720, Boise, Idaho 83720-0074. Comments can also be submitted on the PUC website.

Exhibit No. 6