

WASHINGTON WATER SERVICE CO.
Balance Sheet
December 31, 2006 AND 2005

ASSETS	<u>2006</u>	<u>2005</u>
Utility Plant:		
Land	\$ 247,094	\$ 202,127
Depreciable plant and equipment	25,140,787	23,865,022
Construction work in progress	724,507	453,304
Intangible assets	1,091,446	1,023,755
	<u>27,203,833</u>	<u>25,544,208</u>
Less: Depreciation of plant and equipment	(9,106,256)	(8,345,960)
Amortization of intangibles	(445,491)	(241,298)
	<u>(9,551,747)</u>	<u>(8,587,258)</u>
Net utility plant	17,652,086	16,956,950
Current assets:		
Cash	133,409	333,383
Working funds, deposits, temporary cash investments	47,811	47,511
Accounts receivable:		
Customers, less allowance for doubtful accounts	277,255	224,615
Taxes Receivable	0	0
Unbilled revenue	168,543	143,384
Other Accounts Receivable	167,873	213,066
Materials and supplies	275,751	200,073
Prepaid expenses	207,127	214,246
Clearing accounts	(519,657)	(474,674)
Total current assets	<u>758,111</u>	<u>901,603</u>
Other assets:		
Regulatory assets	138,875	115,954
Unamortized debt premium and expense	0	0
Investment In Non-Utility Property	0	0
Other	0	0
Total other assets	<u>138,875</u>	<u>115,954</u>
	<u>\$ 18,549,073</u>	<u>\$ 17,974,507</u>

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WASHINGTON WATER SERVICE CO.

Balance Sheet

December 31, 2006 AND 2005

CAPITALIZATION AND LIABILITIES	<u>2006</u>	<u>2005</u>
Capitalization		
Common stockholders' equity		
Common stock (Schedule 1)	\$ 1,069,004	\$ 1,069,004
Retained earnings	4,837,012	4,544,744
Accumulated other comprehensive loss	0	0
	<u>5,906,016</u>	<u>5,613,748</u>
	66.5%	66.3%
 Preferred stock (Schedule 1)	 0	 0
	0.0%	0.0%
 First mortgage bonds	 0	 0
Senior Notes	0	0
Long Term Intercompany Debt	459,069	0
Other Long-Term Debt	2,516,701	2,855,792
Total Long Term Debt (Schedule 2)	<u>2,975,770</u>	<u>2,855,792</u>
	33.5%	33.7%
 Total capitalization	 <u>8,881,786</u>	 <u>8,469,540</u>
	100.0%	100.0%
Current liabilities:		
Current maturities of LT Debt	0	0
Notes payable	0	0
Accounts payable	152,044	227,846
Accrued interest	17,300	15,500
Accrued general taxes	0	0
Income taxes	395,318	284,326
Short Term Intercompany Debt	500,000	517,500
Unearned revenue - charges billed in advance	0	0
Accrued and deferred compensation	138,876	142,142
Accrued pension and post retirement benefits	110,000	110,167
Accrued benefit and worker's compensation	15,807	1,952
Other	720	810
Total current liabilities	<u>1,330,065</u>	<u>1,300,243</u>
 Unamortized investment tax credit	 0	 0
Deferred income taxes	599,533	519,722
Regulatory liabilities	0	0
Advances for construction	160,566	129,718
Contributions in aid of construction	7,577,123	7,555,284
Other long-term liabilities	0	0
	<u>\$ 18,549,073</u>	<u>\$ 17,974,507</u>

WASHINGTON WATER SERVICE CO.
STATEMENT OF INCOME AND RETAINED EARNINGS
MONTH ENDING December 31, 2006

	CURRENT MONTH			YEAR TO DATE			12 MONTHS TO DATE		
	This Year	Prior Year	Change	This Year	Prior Year	Change	This Year	Prior Year	Change
	\$439,524	\$407,526	\$31,998	\$6,560,298	\$5,770,763	\$789,535	\$6,560,298	\$5,770,763	\$789,535
Operating revenue	0	0	0	0	0	0	0	0	0
Operating expenses:	28,672	24,956	3,716	429,827	380,986	48,841	429,827	380,986	48,841
Operations:	0	0	0	0	0	0	0	0	0
Purchased water	0	0	0	0	0	0	0	0	0
Purchased power	0	0	0	0	0	0	0	0	0
Pump taxes	0	0	0	0	0	0	0	0	0
Other operations	358,441	295,113	63,329	3,604,380	3,434,702	169,679	3,604,380	3,434,702	169,679
Total operations	387,114	320,069	67,045	4,034,207	3,815,687	218,520	4,034,207	3,815,687	218,520
Maintenance	36,585	14,787	21,798	200,510	126,841	73,670	200,510	126,841	73,670
Depreciation and amortization	59,173	56,390	2,783	788,003	676,523	111,480	788,003	676,523	111,480
Taxes other than income taxes	38,477	46,107	(7,630)	613,913	594,595	19,318	613,913	594,595	19,318
Total operating expenses	521,349	437,352	83,996	5,636,633	5,213,645	422,988	5,636,633	5,213,645	422,988
Net operating income	(81,824)	(29,827)	(51,998)	923,664	557,118	366,547	923,664	557,118	366,547
Other Income and Expenses:	49,684	32,948	16,736	404,645	236,557	168,088	404,645	236,557	168,088
Non regulated income, net	0	(21)	21	0	(1,057)	1,057	0	(1,057)	1,057
New Business	0	0	0	0	0	0	0	0	0
Gain on sale on non-utility property	(86)	(91)	5	(3,323)	(2,019)	(1,304)	(3,323)	(2,019)	(1,304)
Miscellaneous	49,598	32,836	16,762	401,322	233,481	167,841	401,322	233,481	167,841
Interest:	0	0	0	0	0	0	0	0	0
Interest on long-term debt	21,078	18,125	2,953	247,315	220,025	27,290	247,315	220,025	27,290
Other interest	0	0	0	0	0	0	0	0	0
Interest capitalized	0	0	0	0	0	0	0	0	0
Amortization of bond premium and expense, r	0	0	0	0	0	0	0	0	0
Pre Tax Income	(53,304)	(15,116)	(38,188)	1,077,672	570,573	507,098	1,077,672	570,573	507,098
Income Taxes	(18,656)	(5,290)	(13,366)	378,281	199,705	178,576	378,281	199,705	178,576
Federal income taxes	0	0	0	0	0	0	0	0	0
State income taxes	(18,656)	(5,290)	(13,366)	378,281	199,705	178,576	378,281	199,705	178,576
NET INCOME	(34,648)	(9,826)	(24,822)	699,391	370,868	328,523	699,391	370,868	328,523
Dividends on preferred stock	0	0	0	0	0	0	0	0	0
Balance for common stock	(34,648)	(9,826)	(24,822)	699,391	370,868	328,523	699,391	370,868	328,523
Dividends on common stock	0	0	0	407,123	406,232	891	407,123	406,232	891
Retained earnings, beginning of period	\$4,871,660	\$4,554,570	\$317,090	\$4,544,744	\$4,580,108	(\$35,364)	\$4,544,744	\$4,580,108	(\$35,364)
Retained earnings, end of period	\$4,837,012	\$4,544,744	\$292,268	\$4,837,012	\$4,544,744	\$292,268	\$4,837,012	\$4,544,744	\$292,268
EARNINGS PER SHARE	(0.11)	(0.03)	(0.08)	2.21	1.17	1.04	2.21	1.17	1.04
Fully diluted average shares outstanding	316,472	316,472	0	316,472	316,472	47	316,472	316,472	47
Number of customers	15,358	15,396	(38)	15,358	15,311	47	15,358	15,311	47