

YEAR 2004

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**ANNUAL REPORT**

OF THE

**NAME: MOUNTAIN WATER COMPANY - MISSOULA DIVISION**

**LOCATION: 1345 W. BROADWAY, MISSOULA, MONTANA 59802**

**PRIVATE WATER UTILITY**

TO THE

**PUBLIC SERVICE COMMISSION**

OF MONTANA

**FOR THE YEAR ENDING DECEMBER 31, 2004**



## GENERAL INSTRUCTIONS

1. Prepare this report in conformity with the 1984 National Association of Utility Regulatory Commissioners Uniform System of Accounts for Water Utilities.
2. Interpret all accounting words or phrases in accordance with the USOA.
3. Complete each question fully and accurately, even if it has been answered in a previous annual report. Enter the word "None" where it truly and completely states the fact.
4. For any question, section or page which is not applicable to the respondent, enter the words "Not Applicable" or "N/A." Do not omit any pages.
5. Where dates are called for, the month and day should be stated as well as the year.
6. Complete this report by means which result in a permanent record.
7. If there is not enough room on any schedule, an additional page or pages may be added, provided the format of the added schedule matches the format of the schedule with not enough room. Such a schedule should reference the appropriate schedule, state the name of the utility, and state the year of the report.
8. This report should be filled out in duplicate and one copy returned within 2½ months after the close of the reporting period. The report should be returned to:

Montana Public Service Commission  
Utility Division  
2701 Prospect Avenue  
Helena, Montana 59620

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# REPORT OF

## MOUNTAIN WATER COMPANY

(Exact Name of Utility)

1345 W. BROADWAY  
(Address)

MISSOULA, MONTANA 59802  
(City, State, Zip Code)

For-Year Ended: DECEMBER 31, 2004

Date Utility First Organized: APRIL 19, 1961

Telephone Number: (406) 721-5570

Location where books and records are located: SAME AS ABOVE

**Contacts:**

Name	Title	Principal Business Address	Salary
Person to send correspondence: ARVID HILLER	VICE PRESIDENT	1345 W. BROADWAY MISSOULA, MT 59802	XXXXXXXX
Person who prepared this report: LAWRENCE G. LEE	DIRECTOR OF ACCOUNTING PARK WATER COMPANY	9750 WASHBURN ROAD P.O. BOX 7002 DOWNEY, CA 90241-7002	XXXXXXXX
<b>Officers &amp; Managers:</b> HENRY H. WHEELER, JR.	PRESIDENT	9750 WASHBURN ROAD P.O. BOX 7002 DOWNEY, CA 90241-7002	Note A
CHAYRE M. WHEELER	SECRETARY	SAME AS ABOVE	Note A
LEIGH K. JORDAN	EXECUTIVE VICE PRESIDENT	SAME AS ABOVE	Note A
ARVID HILLER	VICE PRESIDENT	1345 W. BROADWAY MISSOULA, MT 59802	Note A
JOHN KAPPES	ASSISTANT VICE PRESIDENT	1345 W. BROADWAY MISSOULA, MT 59802	Note A

Report every corporation or person owning interest or holding directly or indirectly 5 percent or more of the voting securities of the reporting utility:

Name	Percent Ownership in Utility	Principal Business Address	Salary Charged Utility
PARK WATER COMPANY	100%	9750 WASHBURN ROAD, P.O. BOX 7002 DOWNEY, CA 90241-7002	\$ N/A
			\$
			\$

Note A : Confidential Salary Information

## INCOME STATEMENT

Account Name	Current Year	Previous Year
<b>GROSS REVENUE:</b>		
<b>Metered</b>		
Residential	4,184,299	4,318,726
Commercial	3,235,155	3,157,012
Industrial	2,040	5,529
Other	1,156,438	1,211,731
<b>Unmetered</b>		
Residential	3,161,156	3,287,463
Commercial	168,014	169,154
Industrial		
Fire Protection	519,170	496,299
Bulk Sales		
Sale of Materials		
Other	737,378	819,775
<b>TOTAL GROSS REVENUE</b>	<b>13,163,650</b>	<b>13,465,689</b>
Operation and Maintenance Expense	7,689,984	7,238,306
Depreciation Expense	1,447,666	1,334,781
Taxes Other Than Income	1,034,505	997,761
Income Taxes (A)	1,225,606	1,486,766
Deferred Federal Income Taxes	0	
Amortized - Intangible Plant	40,258	40,258
Deferred State Income Taxes		
<b>TOTAL OPERATING EXPENSE</b>	<b>11,438,020</b>	<b>11,097,872</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>1,725,630</b>	<b>2,367,817</b>
Other Income:		
Investment Tax Credits		
Non-Operating Income	999	
Interest Income	324,555	241,147
Allow. Funds Used - Construct.	21,780	21,780
Other Deductions:		
Non-Utility Expenses	591	0
Interest Expense	0	0
Miscellaneous Deductions	25,833	45,826
<b>NET INCOME (LOSS)</b>	<b>2,046,540</b>	<b>2,584,918</b>

(A) Includes \$38,287 of non-utility income tax expense.

## COMPARATIVE BALANCE SHEET

ACCOUNT NAME	CURRENT YEAR	PREVIOUS YEAR
<b>Assets:</b>		
Utility Plant in Service (A), (C)	63,065,263	57,414,365
Accumulated Depreciation and Amortization	(15,440,489)	(14,089,122)
<b>Net Utility Plant</b>	<b>47,624,774</b>	<b>43,325,243</b>
Cash	56,912	199,355
Customer Account Receivable (B)	780,251	843,313
Other Assets (Specify)-		
Non-Utility Property		
Less Acc. Depreciation		
Utility Plant Acquisition Adjustment	467,735	505,475
Land Held For Future Use	636,727	615,537
Materials and Supplies	161,916	164,989
Misc. & Prepays (B)	613,040	956,376
Misc. Deferred Debits	16,875	19,725
Deferred Employee Benefits	237,147	126,445
Regulatory Accounts	800,294	576,065
Open Accounts	(6,757,968)	(7,882,677)
<b>Total Assets</b>	<b>44,637,703</b>	<b>39,449,846</b>
<b>Liabilities and Capital:</b>		
Common Stock Issued	6,940,578	6,940,578
Preferred Stock Issued	0	0
Other Paid in Capital	2,008,000	2,008,000
Retained Earnings	15,303,182	13,218,355
Proprietary Capital	0	0
<b>Total Capital</b>	<b>24,251,760</b>	<b>22,166,933</b>
Long-Term Debt	0	0
Accounts Payable	238,817	505,145
Notes Payable	0	0
Customer Deposits	1,024	1,751
Accrued Taxes	381,885	291,823
Other Liabilities (Specify)		
Interest Accrued	0	0
Misc. Liabilities	403,892	387,570
Deferred Credits	640,286	875,174
Deferred Income Tax & ITC	6,128,008	5,021,440
Advances for Construction	10,650,195	8,359,064
Contributions in Aid of Construction	1,941,836	1,840,946
<b>Total Liabilities and Capital</b>	<b>44,637,703</b>	<b>39,449,846</b>

(A) Includes \$122,937 and \$489,339 of Construction in Progress for 2004 and 2003 respectively.

(B) 2003 restated to reflect \$778,520 that should have been classified as Miscellaneous/Prepaid instead of Customer Account Receivable.

(C) Restated beginning balance excluding Intangible Plant which is included with Miscellaneous and Prepaid category in the amount of \$45,644.

## ACCUMULATED DEPRECIATION AND AMORTIZATION OF UTILITY PLANT

ACCOUNT 108	CURRENT YEAR	PREVIOUS YEAR
Balance First of Year	14,089,122	12,892,790
Credits During Year:		
Accruals Charged to Depreciation Account	1,447,666	1,334,781
Salvage	7,019	15,676
Other Credits - Contributions	42,570	38,330
Clearing Accounts	62,563	54,531
Amortization of Other Utility Property	0	0
<b>Total Credits</b>	<b>(E) 1,559,818</b>	<b>1,433,318</b>
Debits During Year:		
Book Cost of Plant Retired	179,892	233,785
Cost of Removal	28,559	3,201
Other Debits (Specify)		
<b>Total Debits</b>	<b>208,451</b>	<b>236,986</b>
Balance End of Year	<b>15,440,489</b>	<b>14,089,122</b>

## CONTRIBUTIONS IN AID OF CONSTRUCTION

Report below all contractor and developer agreements and line extension agreements from which cash or property was received during the year	Indicate "Cash" or "Property"	Amount
Conoco Main Extension	Property	3,150
Northside Tie Main	Cash	120,000
JLEI Building- Rosauer's Supermarket	Property	20,311
<b>Total During Year</b>		<b>143,461</b>

## ACCUMULATED DEFERRED INCOME TAXES

Description	Total
Accumulated Deferred Income Taxes:	
	6,128,008
<b>Total Accumulated Deferred Income Taxes</b>	<b>6,128,008</b>



## CAPITAL STOCK

	Common Stock	Preferred Stock
Par or stated value per share	No Par Value	N/A
Shares issued and outstanding	50,000	
Total par value of stock issued	6,940,578	
Dividends declared per share for year		

## RETAINED EARNINGS

	Appropriated	Unappropriated
Balance first of year		13,218,355
Changes during year (Specify):		
Missoula 2004 Net Income		2,084,827
Balance end of year		15,303,182

## PROPRIETARY CAPITAL

	Proprietor or Partner	Partner
Balance first of year		
Changes during year (Specify):		
NOT APPLICABLE		
Balance end of year		

## LONG TERM DEBT

Description of Obligation	Interest		Principal Per Balance Sheet Date
	Rate	Pymts	
NONE			
<b>Total</b>	N/A	0	0

# WATER UTILITY PLANT ACCOUNTS

Acct. No.	Account Name	Previous Year	Additions	Retirements	Current Year
301	Organization				
302	Franchises				
303	Land and Land Rights (A)	898,413			898,413
304	Structures and Improvements	4,310,692	592,822	5,263	4,898,251
305	Collecting and Impounding Reservoirs	135,492			135,492
306	Lake, River and Other Intakes	0			0
307	Wells and Springs	260,384	36,676		297,060
308	Infiltration Galleries and Tunnels	0			0
309	Supply Mains	505,514			505,514
310	Power Generation Equipment	817,606	7,121		824,727
311	Pumping Equipment	2,789,229	144,827	13,852	2,920,204
320	Water Treatment Equipment	181,005	12,810	3,661	190,154
330	Distribution Reservoirs and Standpipes	3,589,491	430,264	792	4,018,963
331	Transmission and Distribution Mains (B)	33,401,050	3,954,311	90,560	37,264,801
333	Services	146,621			146,621
334	Meters and Meter Installations	3,160,823	384,695	27,052	3,518,466
335	Hydrants (B)	2,860,653	355,029	1,917	3,213,765
339	Other Plant and Miscellaneous Equipment	0			0
340	Office Furniture and Equipment	192,405	5,204	4,319	193,290
341	Transportation Equipment (C)	734,924	23,208	7,232	750,900
342	Stores Equipment	0			0
343	Tools, Shop and Garage Equipment	286,288	36,981	74	323,195
344	Laboratory Equipment	10,844	2,146		12,990
345	Power Operated Equipment	18,542			18,542
346	Communication Equipment (C)	251,102	36,511		287,613
347	Miscellaneous Equipment	2,367,949	174,587	25,170	2,517,366
348	Other Tangible Plant	6,000			6,000
	Construction Work in Progress	489,339		366,402	122,937
	<b>TOTAL WATER PLANT</b>	<b>57,414,365</b>	<b>6,197,192</b>	<b>546,294</b>	<b>63,065,263</b>

(A) Restated beginning balance excluding Intangible Plant which is included with Miscellaneous and Prepaid category.

(B) Additions include an adjustment for a 2003 job of \$1,695 and a transfer from Mains to Hydrants for \$3,741.

(C) Additions include the transfer of a radio from Transportation Equipment to Communication Equipment for \$1,386.

# ANALYSIS OF ACCUMULATED DEPRECIATION BY PRIMARY ACCOUNT

ACCT. NO.	ACCOUNT	AVERAGE SERVICE LIFE IN YEARS	AVERAGE SALVAGE IN PERCENT	DEPR. RATE APPLIED	ACCUMULATED DEPRECIATION BALANCE PREVIOUS YEARS	DEBITS	CREDITS	ACCUMULATED DEPRECIATED BALANCE - END OF YEAR
303	Land and Land Rights				16,712		1,083	17,795
304	Structures & Improvements	VARIABLES	VARIABLES %	VARIABLES %	1,477,951	5,263	106,475	1,579,163
305	Collecting & Impounding Reservoirs	50	-5.0%	2.10%	20,244		2,846	23,090
306	Lake, River & Other Intakes							
307	Wells & Springs	40	-5.0%	2.64%	141,216		6,874	148,090
308	Infiltrations Galleries & Tunnels							
309	Supply Mains	50	-5.0%	2.22%	323,623		11,224	334,847
310	Power Generating Equipment	25	0.0%	3.71%	128,494		30,816	159,310
311	Pumping Equipment	25	VARIABLES %	VARIABLES %	1,144,821	13,852	106,178	1,237,147
320	Water Treatment Equipment	20	0.0%	2.45%	124,149	3,661	4,434	124,922
330	Distribution Reservoirs & Standpipes	40	0.0%	2.33%	1,496,573	792	83,635	1,579,416
331	Trans. & Dist. Mains	50	0.0%	1.97%	6,586,786	119,118	657,966	7,125,634
333	Services	40	0.0%	2.47%	32,764		3,622	36,386
334	Meter & Meter Installation	30	VARIABLES %	VARIABLES %	345,680	27,052	117,519	436,147
335	Hydrants	40	5.0%	2.45%	469,950	1,917	70,129	538,162
339	Other Plant & Misc. Equipment							
340	Office Furniture and Equipment	15	10.0%	8.83%	86,473	4,319	16,990	99,144
341	Transportation Equipment	10	10.0%	6.59%	441,811	7,231	51,272	485,852
342	Stores Equipment				0			0
343	Tools, Shop & Garage Equipment	20	5.0%	4.90%	79,534	74	14,028	93,488
344	Laboratory Equipment	10	0.0%	7.80%	7,947		846	8,793
345	Power Operated Equipment	20	5.0%	3.54%	15,959		197	16,156
346	Communication Equipment	10	0.0%	11.50%	127,476		29,036	156,512
347	Miscellaneous Equipment	6	5.0%	10.70%	1,019,449	25,172	244,007	1,238,284
348	Other Tangible Plant				1,510		641	2,151
	<b>Totals</b>				<b>14,089,122</b>	<b>208,451</b>	<b>1,559,818</b>	<b>15,440,489</b>



NAME OF RECIPIENT	AMOUNT	DESCRIPTION OF DATA
4G's Plumbing & Heating	133,635	Excavation work
4G Electric, Inc.	25,482	Electrical work
ADP	11,491	Payroll service
AON	5,600	Benefit Consulting
AWWA Research Foundation	7,256	Subscription to research
Brian's Auto	19,843	Service/repair vehicle fleet
Canon J. Price, Inc.	5,722	Benefits consulting
Christopher Schilling	5,329	Consulting
DJ & A, P.C.	55,968	Engineering services
Dalton Construction	176,758	Construction work
Eli & Associates, Inc.	32,560	Engineering services
Energy Labs, Inc.	24,932	Water testing
Embe Contracting, Inc.	1,287,081	Excavation work
Excavators, Inc.	64,630	Excavation work
Felton Construction	21,490	Excavation work
Fire Protection Services, Inc	14,013	Sprinkler system Install
First Data Government Solution	5,584	IVR maintenance
Fletcher Excavation	174,029	Excavation work
Fulbright & Jaworski	14,847	Legal fees
Frontier West	673,660	Excavation work
Garlington, Lohn & Robinson	17,343	Legal fees
H & E Equipment Services	8,091	Equipment rental
High Country Excavation	32,250	Excavation work
Hill, Farrer & Burrill	7,584	Legal fees
Hughes, Kellner, Sullivan & Alke	18,752	Legal fees
Human Performance Consultation, Inc.	33,450	Consulting service
Industrial Services Co.	48,251	Concrete work
Itron, Inc.	5,465	Maintenance agreement Itron
Johnson Controls	20,726	Service work
JTL Group	98,727	Excavation work
K & N Electrical Motors, Inc	7,732	Service pump/motors
Land & Water Consulting	63,949	Engineering services
Landworks Consulting & Design	30,616	Engineering services
LS Jensen & Sons, Inc.	375,922	Excavation work
Maxim Technologies	15,879	Engineering services
Mauer Construction	23,820	Excavation work
Metalworks of Montana	5,175	Roofing services
Minuteman Aviation, Inc.	20,510	Helicopter service
Missoula City/County Health Department	18,291	Water testing
Missoula Textiles	16,621	Laundry service
Montana Printing	12,874	Printing service
Nature's Best	52,272	Lawn/site Maintenance
N & E Ventures	7,102	Excavation work
Nelcon, Inc.	296,045	Excavation work
Northwest Hydro-Tech	25,029	Rebuild cla-valves
Northwest Energy	13,769	Electrical work
Peasley, Aldinger & O'Bymachow	81,670	Audit fees
Pioneer Earthworks	5,736	Site maintenance
Platinum Graphics	53,637	Mailing service
Poteet Construction, Inc.	7,767	Signage service
Power Engineers	41,467	Electrical engineering services
Professional Consulting, Inc.	138,627	Engineering services
Quality Maintenance	13,175	Office cleaning service
SC Wright Insurance	626,018	Commercial insurance
Securitas Security Service	16,237	Alarm/security service
SICC	31,750	Painting services
Spiker Communications, Inc.	21,064	Advertising

NAME OF RECIPIENT	AMOUNT	DESCRIPTION OF DATA
Sprint	27,495	Computer data link line
System Management, Inc.	10,552	System upgrade consulting
Tabco Contracting, Inc.	75,766	Excavation work
The Waterman	48,075	Contracted locates/water service
Trans-electric	5,302	Vehicle/repairs service
Utilities Underground Location Center	8,987	Location requests
Western States Equipment Co.	48,218	Service generators
WGM-Group	103,435	Engineering services
Workforce, Inc.	14,042	Temporary employees services
Yawle Seven, LLC	52,969	Excavation work

## SOURCES OF WATER SUPPLY

Surface Water: River = 0 Lake = 8 Stream = 1 Impounding Res. = 1  
 Ground Water: Springs No. = 0 Shallow Wells No. = 36 Deep Wells No. = 1

### SUPPLY, TRANSMISSION & DISTRIBUTION MAINS (FEET)

Size Inches	First of Year	Laid During Year	Total	Abandoned During Year	Taken Up During Year	Total	Close of Year
4" or less							
6							
8							
10		PLEASE SEE PAGE 11A					
20							
<b>TOTAL</b>	1,381,523	44,828	1,426,351	0	790	790	1,425,561

### RESERVOIRS, STANDPIPES AND PURIFICATION SYSTEM

Number of Reservoirs	11	Capacity in Gallons	7,758,804
Number of Standpipes	16	Capacity in Gallons	1,744,700
Method of Purification:	Chlorination		

### SERVICES AND METERS

Services	1/2 in.	5/8 in.	3/4 in.	1 in.	1 1/2 in.	2 in.	3 in.	4 in.	6 in.	8 in.	10 in.
	<u>0</u>	<u>14,586</u>	<u>249</u>	<u>4,787</u>	<u>226</u>	<u>379</u>	<u>28</u>	<u>156</u>	<u>65</u>	<u>31</u>	<u>2</u>
Meters	<u>0</u>	<u>11,860</u>	<u>638</u>	<u>862</u>	<u>258</u>	<u>333</u>	<u>48</u>	<u>25</u>	<u>8</u>	<u>3</u>	<u>1</u>

### NUMBER AND CLASSIFICATION OF CONSUMERS

Beginning of the year ----- Close of the year -----

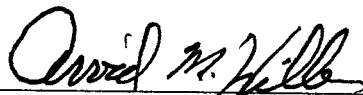
Classification	Metered	Unmetered	Total	Metered	Unmetered	Total	Increase or Decrease
Residential	10,090	6,894	16,984	10,682	6,656	17,338	354
Commercial	2,751	168	2,919	2,878	165	3,043	124
Industrial	2	0	2	1	0	1	(1)
Fire Hydrants	0	1,052	1,052	0	1,111	1,111	59
Governmental	63	40	103	64	42	106	3
All Other	389	379	768	411	384	795	27
<b>Total</b>	<b>13,295</b>	<b>8,533</b>	<b>21,828</b>	<b>14,036</b>	<b>8,358</b>	<b>22,394</b>	<b>566</b>

### TOTAL PUMPING STATION STATISTICS

Total Amount of Water Obtained by all methods during the Year	8,633,911,506 gals.
Maximum Water obtained all methods during any one day	44,584,364 gals.
Minimum Amount of Water obtained all methods during one day	17,433,469 gals.
Total Amount of Water passed through customers meters during year	3,007,756,722 gals.
Range of ordinary pressure on mains: 45 lbs. to 200 lbs.	
Range of fire pressure in mains: 45 lbs. to 170 lbs.	

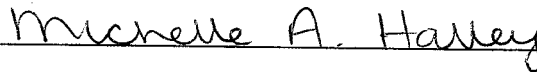
STATE OF MONTANA     )  
County of Missoula     )

We, the undersigned, on our oath do severally say that the foregoing return of the Mountain Water Company - Missoula Division Water Utility has been prepared under our direction from the original books, paper and records of said utility and declare the same to be a full, true and correct statement embracing all the financial transactions of said utility during the period for which the return is made.



\_\_\_\_\_  
Arvid Hiller, Vice Pres. & Gen. Manager

Subscribed and sworn to before me this 25 day of April, 2007.



\_\_\_\_\_  
MICHELLE A. HALLEY  
NOTARY PUBLIC for the State of Montana  
Residing at Missoula, Montana  
My Commission Expires January 16, 2008.

