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**YEAR 2005**

PUBLIC SERVICE  
COMMISSION

**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, 2005**



## **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 <i>(Address)</i>	MISSOULA, MONTANA 59802 <i>(City, State, Zip Code)</i>
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For Year Ended: \_\_\_\_\_ DECEMBER 31, 2005

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 AND GENERAL MANAGER	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 AND GENERAL MANAGER	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	4,404,068	4,184,299
Commercial	3,301,245	3,235,155
Industrial	0	2,040
Other	1,211,335	1,156,438
<b>Unmetered</b>		
Residential	2,958,816	3,161,156
Commercial	162,613	168,014
Industrial		
Fire Protection	546,804	519,170
Bulk Sales		
Sale of Materials		
Other	935,217	737,378
<b>TOTAL GROSS REVENUE</b>	<b>13,520,098</b>	<b>13,163,650</b>
Operation and Maintenance Expense	8,128,707	7,689,984
Depreciation Expense	1,616,906	1,447,666
Taxes Other Than Income	1,051,264	1,034,505
Income Taxes (A)	1,235,845	1,225,606
Deferred Federal Income Taxes	0	0
Amortized - Intangible Plant	40,258	40,258
Deferred State Income Taxes		
<b>TOTAL OPERATING EXPENSE</b>	<b>12,072,980</b>	<b>11,438,020</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>1,447,118</b>	<b>1,725,630</b>
Other Income:		
Investment Tax Credits		
Non-Operating Income	0	999
Interest Income	463,921	324,555
Allow. Funds Used - Construct.	21,780	21,780
Other Deductions:		
Non-Utility Expenses	591	591
Interest Expense	0	0
Miscellaneous Deductions	40,517	25,833
<b>NET INCOME (LOSS)</b>	<b>1,891,711</b>	<b>2,046,540</b>

(A) Excludes \$8,020 of non-utility income tax expense.

## COMPARATIVE BALANCE SHEET

ACCOUNT NAME	CURRENT YEAR	PREVIOUS YEAR
<b>Assets:</b>		
Utility Plant in Service (A), (B)	67,692,268	63,065,263
Accumulated Depreciation and Amortization	(16,722,237)	(15,440,489)
<b>Net Utility Plant</b>	<b>50,970,031</b>	<b>47,624,774</b>
Cash	303,042	56,912
Customer Account Receivable	555,451	780,251
Other Assets (Specify)-		
Non-Utility Property		
Less Acc. Depreciation		
Utility Plant Acquisition Adjustment	429,995	467,735
Land Held For Future Use	657,916	636,727
Materials and Supplies	195,310	161,916
Misc. & Prepays (B)	701,550	613,040
Misc. Deferred Debits	17,624	16,875
Deferred Employee Benefits	254,989	237,147
Regulatory Accounts	801,467	800,294
Open Accounts	(6,363,383)	(6,757,968)
<b>Total Assets</b>	<b>48,523,992</b>	<b>44,637,703</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	17,194,893	15,303,182
Proprietary Capital	0	0
<b>Total Capital</b>	<b>26,143,471</b>	<b>24,251,760</b>
Long Term Debt	0	0
Accounts Payable	357,011	238,817
Notes Payable	0	0
Customer Deposits	1,181	1,024
Accrued Taxes	389,400	381,885
Other Liabilities (Specify)		
Interest Accrued	0	0
Misc. Liabilities	422,292	403,892
Deferred Credits	710,741	640,286
Deferred Income Tax & ITC	6,317,306	6,128,008
Advances for Construction	12,093,678	10,650,195
Contributions in Aid of Construction	2,088,912	1,941,836
<b>Total Liabilities and Capital</b>	<b>48,523,992</b>	<b>44,637,703</b>

(A) Includes \$168,319 and \$122,937 of Construction in Progress for 2005 and 2004 respectively.

(B) Balance excludes Intangible Plant which is included in Miscellaneous and Prepaid category in the amount of \$40,608 and \$43,126 for 2005 and 2004 respectively.

## ACCUMULATED DEPRECIATION AND AMORTIZATION OF UTILITY PLANT

ACCOUNT 108	CURRENT YEAR	PREVIOUS YEAR
Balance First of Year	15,440,489	14,089,122
Credits During Year:		
Accruals Charged to Depreciation Account	1,616,906	1,447,666
Salvage	24,759	7,019
Other Credits - Contributions	45,477	42,570
Other Credits - Transfer of Cash Remittance Machine	22,406	
Clearing Accounts	65,977	62,563
Reimbursement for damages-mains	(28)	
<b>Total Credits</b>	<b>1,775,497</b>	<b>1,559,818</b>
Debits During Year:		
Book Cost of Plant Retired	487,583	179,892
Cost of Removal	6,166	28,559
Other Debits (Specify)- reimbursement for damages-mains	0	
<b>Total Debits</b>	<b>493,749</b>	<b>208,451</b>
<b>Balance End of Year</b>	<b>16,722,237</b>	<b>15,440,489</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
Ft Msla valves	Property	(75)
Jensen/Grant Creek Rd	Property	16,339
Jensen's Hillview	Cash	110,006
Kerr Drive/Mostad	Property	66,207
<b>Total During Year</b>		<b>192,477</b>

## ACCUMULATED DEFERRED INCOME TAXES

Description	Total
Accumulated Deferred Income Taxes:	
	6,317,306
<b>Total Accumulated Deferred Income Taxes</b>	<b>6,317,306</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		15,303,182
Changes during year (Specify):		
Missoula 2005 Net Income		1,891,711
Balance end of year		17,194,893

### 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			
Total	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	898,413			898,413
304	Structures and Improvements	4,898,251	233,293	11,260	5,120,284
305	Collecting and Impounding Reservoirs	135,492	6,528		142,020
306	Lake, River and Other Intakes	0			0
307	Wells and Springs	297,060			297,060
308	Infiltration Galleries and Tunnels	0			0
309	Supply Mains	505,514			505,514
310	Power Generation Equipment	824,727	45,546		870,273
311	Pumping Equipment	2,920,204	72,451	13,403	2,979,252
320	Water Treatment Equipment	190,154	53,314	20,187	223,281
330	Distribution Reservoirs and Standpipes	4,018,963	173		4,019,136
331	Transmission and Distribution Mains (A)	37,264,801	3,455,548	68,874	40,651,475
333	Services	146,621	4,161		150,782
334	Meters and Meter Installations	3,518,466	434,469	114,350	3,838,585
335	Hydrants	3,213,765	229,259	2,233	3,440,791
339	Other Plant and Miscellaneous Equipment	0			0
340	Office Furniture and Equipment	193,290	22,419	538	215,171
341	Transportation Equipment	750,900	84,859	29,030	806,729
342	Stores Equipment	0			0
343	Tools, Shop and Garage Equipment	323,195	94,967	2,794	415,368
344	Laboratory Equipment	12,990			12,990
345	Power Operated Equipment	18,542			18,542
346	Communication Equipment	287,613	27,086	1,773	312,926
347	Miscellaneous Equipment	2,517,366	305,133	223,141	2,599,358
348	Other Tangible Plant	6,000			6,000
	Construction Work in Progress	122,937	45,382		168,319
	<b>TOTAL WATER PLANT</b>	<b>63,065,263</b>	<b>5,114,588</b>	<b>487,583</b>	<b>67,692,268</b>

(A) Additions include (\$28) which is reimbursement for damages.

# 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				17,795		1,082	18,877
304	Structures & Improvements	VARIABLES	VARIABLES %	VARIABLES %	1,579,163	11,260	120,000	1,687,903
305	Collecting & Impounding Reservoirs	50	-5.0%	2.10%	23,090		2,845	25,935
306	Lake, River & Other Intakes							
307	Wells & Springs	40	-5.0%	2.64%	148,090		7,843	155,933
308	Infiltrations Galleries & Tunnels							
309	Supply Mains	50	-5.0%	2.22%	334,847		11,222	346,069
310	Power Generating Equipment	25	0.0%	3.71%	159,310		30,598	189,908
311	Pumping Equipment	25	VARIABLES %	VARIABLES %	1,237,147	5,334	111,235	1,343,048
320	Water Treatment Equipment	20	0.0%	2.45%	124,922	20,186	4,659	109,395
330	Distribution Reservoirs & Standpipes	40	0.0%	2.33%	1,579,416		93,642	1,673,058
331	Trans. & Dist. Mains	50	0.0%	1.97%	7,125,634	31,515	734,182	7,828,301
333	Services	40	0.0%	2.47%	36,386		3,621	40,007
334	Meter & Meter Installation	30	VARIABLES %	VARIABLES %	436,147	114,350	127,657	449,454
335	Hydrants	40	5.0%	2.45%	538,162	8,423	78,737	608,476
339	Other Plant & Misc. Equipment							
340	Office Furniture and Equipment	15	10.0%	8.83%	99,144	538	39,473	138,079
341	Transportation Equipment	10	10.0%	6.59%	485,852	29,030	50,284	507,106
342	Stores Equipment				0			0
343	Tools, Shop & Garage Equipment	20	5.0%	4.90%	93,488	2,794	15,836	106,530
344	Laboratory Equipment	10	0.0%	7.80%	8,793		1,013	9,806
345	Power Operated Equipment	20	5.0%	3.54%	16,156		656	16,812
346	Communication Equipment	10	0.0%	11.50%	156,512	1,773	33,075	187,814
347	Miscellaneous Equipment	6	5.0%	10.70%	1,238,284	268,546	307,195	1,276,933
348	Other Tangible Plant				2,151		642	2,793
	<b>Totals</b>				<b>15,440,489</b>	<b>493,749</b>	<b>1,775,497</b>	<b>16,722,237</b>

## WATER OPERATION AND MAINTENANCE EXPENSE

ACCOUNT NAME	AMOUNT
Salaries and Wages - Employees	2,407,102
Employee Pensions and Benefits	800,728
Purchased Water	
Purchased Power	1,040,247
Fuel for Power Production	
Chemicals	46,104
Materials and Supplies	(19,744)
Contractual Services	2,665,024
Rent	1,200
Transportation Expense	212,925
Insurance Expense	566,378
Regulatory Commission Expense	29,000
Bad Debt Expense	37,579
Miscellaneous Expense	342,164
<b>TOTAL</b>	<b>8,128,707</b>

## PAYMENTS FOR SERVICES RENDERED BY OTHER THAN EMPLOYEES

Report all information concerning rate, management, construction, advertising, labor relations, public relations, or other similar services rendered the respondent for which the aggregate payments during the year to any corporation, partnership, individual or organization of any kind whatever, amounting to \$500. or more. Utilities having revenue in excess of \$100,000 should report amounts of \$5,000 or more.

Name of Recipient	Amount	Description of Service
SEE PAGES 10 AND 10A.		

NAME OF RECIPIENT	AMOUNT	DESCRIPTION OF DATA
4G's Plumbing & Heating	134,814	Excavation work
4G Electric, Inc.	32,377	Electrical work
ADP	10,890	Payroll service
AON Consulting	13,119	Benefits processing
AWWA Research Foundation	9,017	Subscription to research
Bank of America	11,659	Service charge
Bitterroot Welding & Hydraulics	9,066	Welding & hydraulic services
Canon J. Price	6,700	Benefits consulting
Christopher Schilling	5,041	Financial consulting
DJ & A, P.C.	21,723	Engineering services
Dalton Construction	15,163	Construction work
Doney, Crowley, & Bloomquist	5,243	Legal fees
Eli & Associates, Inc.	27,784	Engineering services
Energy Labs, Inc.	14,850	Water testing
Embe Contracting, Inc.	1,253,844	Excavation work
ESRI, Inc.	8,500	Maint agreement-software GIS
Express Personnel Services	10,365	Temp employee services
Extech, LLC	7,150	Pipeline inspections
Flanagan's	8,972	Service/repair vehicle fleet
Fletcher Excavation	475,638	Excavation work
Fulbright & Jaworski, L.L.P.	12,544	Legal fees
Furrow Pump	11,099	Valve maintenance
Garlington, Lohn & Robinson	34,602	Legal fees
GE Fanuc Automation	8,429	SCADA maintenance contract
Grizzly Fence	5,505	Fence maintenance
Hill, Farrer & Burrill	12,422	Legal fees
Human Performance Consulting	25,098	Performance consulting services
Hughes, Kellner, Sullivan & Aike	26,004	Legal fees
Johnson Controls	18,186	Service work
K & N Electrical Motors, Inc.	13,583	Service pump/motors
Karl Tyler Chevrolet	14,124	Service/repair vehicle fleet
Kohlers Sprinklers & Backflow	15,698	Backflow services
Landworks Consulting & Design	33,269	Engineering services
Les Schwab Tire Center	10,708	Service/repair vehicle fleet
LS Jensen & Sons, Inc.	123,574	Excavation work
Maxim Technologies	21,440	Engineering services
Minuteman Aviation, Inc.	7,875	Helicopter service
Missoula City/County Health Dept.	22,330	Water testing
Missoula Textiles	19,079	Laundry service
Montana Conservation Corps	21,000	Dam repair & maintenance
Montana Electronics	6,344	Service/repair vehicle fleet
Montana Printing	7,910	Printing service
Nature's Best	57,683	lawn/site maintenance
Navtrak	21,602	Vehicle tracking system
Northwest Hydro-Tech	12,815	Rebuild cla-valves
Peasley, Aldinger & O'Bymachow	72,910	Audit fees
Pioneer Earthworks	19,153	Site maintenance
Platinum Graphics	54,046	Mailing service
Poteet Construction, Inc.	5,416	Signage service
Power Engineers	21,436	Electrical engineer services
Price Construction	75,532	Construction work
Professional Consulting, Inc.	71,909	Engineering services
Quality Maintenance Enterprises	11,047	Janitorial services
SC Wrights Insurance	481,041	Commercial insurance
Securitas Security Service	14,114	Alarm/security service
Sentinel Mechanical, Inc	6,752	Plumbing/mechanical services
SICC	17,571	Painting services
Sprint	22,579	Computer data link line
T R Marinan Co	15,193	Trailer maintenance

NAME OF RECIPIENT	AMOUNT	DESCRIPTION OF DATA
The Waterman	64,587	Contracted locates/water service
US Bank	13,467	Service charge
Utilities Underground Location Center	8,920	Location requests
Western States Equipment Co.	70,066	Service generators
WGM Group	115,247	Engineering services
Workforce, Inc.	6,240	Temp employee services

**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
6" or less							
6							
8							
10		PLEASE SEE PAGE 11A					
20							
<b>TOTAL</b>			0	0	0		

**RESERVOIRS, STANDPIPES AND PURIFICATION SYSTEM**

Number of Reservoirs	<u>11</u>	Capacity in Gallons	<u>7,758,804</u>
Number of Standpipes	<u>16</u>	Capacity in Gallons	<u>1,744,700</u>

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>5,243</u>	<u>226</u>	<u>399</u>	<u>29</u>	<u>171</u>	<u>78</u>	<u>35</u>	<u>2</u>
Meters											
	<u>0</u>	<u>12,635</u>	<u>671</u>	<u>891</u>	<u>284</u>	<u>340</u>	<u>52</u>	<u>25</u>	<u>7</u>	<u>3</u>	<u>1</u>

**NUMBER AND CLASSIFICATION OF CONSUMERS**

Classification	Beginning of the year			Close of the year			Increase or (Decrease)
	Metered	Unmetered	Total	Metered	Unmetered	Total	
Residential rev code 11 & 91	10,682	6,656	17,338	11,377	6,322	17,699	361
Commercial 22 & 92	2,878	165	3,043	2,973	159	3,132	89
Industrial 33	1	0	1	1	0	1	0
Fire Hydrants 62	0	1,111	1,111	0	1,160	1,160	49
Governmenta 45 & 94	64	42	106	64	41	105	(1)
All Other 70, 73, 52 (includes inactives 73)	411	384	795	494	421	915	120
<b>Total</b>	<b>14,036</b>	<b>8,358</b>	<b>22,394</b>	<b>14,909</b>	<b>8,103</b>	<b>23,012</b>	<b>618</b>

**TOTAL PUMPING STATION STATISTICS**

Total Amount of Water Obtained by all methods during the Year	<u>8,710,177,369</u>	gals. estimate
Maximum Water obtained all methods during any one day	<u>45,542,542</u>	gals. estimate
Minimum Amount of Water obtained all methods during one day	<u>16,510,842</u>	gals. estimate
Total Amount of Water passed through customers meters during year	<u>3,094,128,980</u>	gals.

Range of ordinary pressure on mains: 45 lbs. to 200 lbs.  
 Range of fire pressure in mains: 45 lbs. to 170 lbs.

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
30"Wood							
30"Steel	17,075		17,075			0	17,075
1"	84		84			0	84
1-1/2"	455		455		333	333	122
2"	46,103		46,103		756	756	45,347
3"	5,700		5,700			0	5,700
4"	33,788		33,788		1,034	1,034	32,754
5"	571		571			0	571
6"	749,965		749,965		254	254	749,711
8"	242,129	21,161	263,290		41	41	263,249
10"	121,460	1,640	123,100		48	48	123,052
12"	96,034	4,907	100,941			0	100,941
14"	6,035		6,035			0	6,035
16"	28,095	3,390	31,485		221	221	31,264
20"	27,094		27,094			0	27,094
24"	50,973	1,923	52,896			0	52,896
TOTAL	1,425,561	33,021	1,458,582	0	2,687	2,687	1,455,895

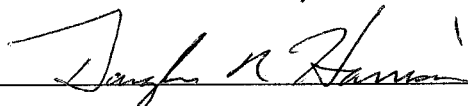


STATE OF MONTANA     )  
County of Missoula    )

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 20<sup>th</sup> day of April, 2006.

  
\_\_\_\_\_

\_\_\_\_\_  
DOUGLAS R. HARRISON  
NOTARY PUBLIC for the State of Montana  
Residing at Missoula, Montana  
My Commission Expires January 16, 2008.

