

YEAR 2006

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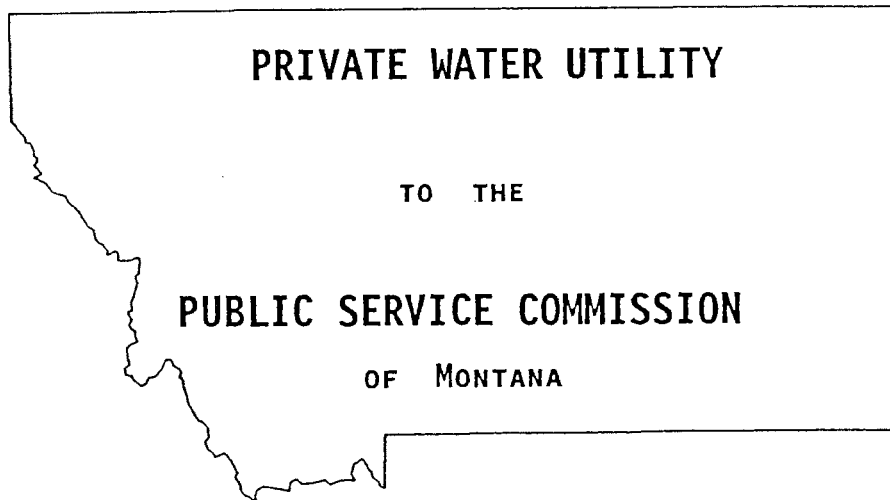
PUBLIC SERVICE
COMMISSION

ANNUAL REPORT

OF THE

NAME Mountain Heritage Associates

LOCATION Helena, Montana



FOR THE YEAR ENDING .12/31/06

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 NA". 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 schedules, 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 2 1/2 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 Heritage Associates, Inc.

(Exact Name of Utility)

P.O. Box 4447

(Address)

Helena, MT. 59604

(City, State, Zip Code)

For Year Ended December 31, 2006

Date Utility First Organized January 1, 1990

Telephone Number 406-227-6983

Location where books and records are located Helena, MT

| Contracts: | | | |
|----------------------------------|------------|--|----------|
| Name | Title | Principal Business Address | Salary |
| Person to send correspondence: | Judy Lowry | PO Box 4447 Helena, MT 59604 | XXXXXXXX |
| Person who prepared this report: | Don Cox | AZ & Company, P.C. PO Box 1147 Helena, MT 59624 | XXXXXXXX |
| Officers & Managers: | | | \$ |
| H. Randolph Poulsen | Pres/Treas | 514 Ward Street # 202 Seattle, WA 98109 | \$ -0- |
| Jack Lowry | VP/Sec | PO Box 4447 Helena, MT 59604 | \$ -0- |
| | | | \$ |
| | | | \$ |
| | | | |

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 | Precent Ownership in Utility | Principal Business Address | Salary Charged Utility |
|---------------------|------------------------------|---|------------------------|
| H. Randolph Poulsen | 47.50% | 514 Ward Street #202 Seattle, WA 98109 | \$ -0- |
| Peggy Poulsen | 5.00% | 821 Kentucky SE Albuquerque, NM 87108 | \$ -0- |
| Jack Lowry | 47.50% | 5513 York Road Helena, MT 59601 | \$ -0- |
| | | | |

INCOME STATEMENT

| Account Name | Current Year | Previous Year |
|--|----------------|---------------|
| GROSS REVENUE: | | |
| Metered | | |
| Residential | | |
| Commercial | | |
| Industrial | | |
| Other | | |
| Unmetered | | |
| Residential | 30,588 | 30,658 |
| Commerical | | |
| Industrial | | |
| Fire Protection | | |
| Bulk Sales | | |
| Sale of Materials | | |
| Other | | |
| TOTAL GROSS REVENUE | 30,588 | 30,658 |
| Operation and Maintenance Expense | 29,763 | 27,044 |
| Depreclaton Expense | 3,223 | 3,601 |
| Taxes Other Than Income | 103 | 131 |
| Income Taxes | | |
| Deferred Federal Income Taxes | | |
| Deferred State Income Taxes | | |
| TOTAL OPERATING EXPENSE | 33,089 | 30,776 |
| NET OPERATING INCOME (LOSS) | (2,501) | (118) |
| Other Income: | | |
| Non-Utility Income | 2 | 2 |
| Other Deductions: | | |
| Non-Utility Expenses | | |
| Interest Expense | | |
| NET INCOME (LOSS) | (2,499) | (116) |

COMPARATIVE BALANCE SHEET

| ACCONT NAME | CURRENT YEAR | PREVIOUS YEAR |
|---|--------------|---------------|
| Assets: | | |
| Utility Plant In Service | 117,257 | 117,257 |
| Accumulated Depreciation and Amortization | 103,011 | 99,788 |
| Net Utility Plant | | |
| Cash | 2,432 | 2,064 |
| Customer Account Receivable | (249) | (604) |
| Other Assets (Specify) | | |
| | | |
| | | |
| | | |
| Total Assets | 16,429 | 18,929 |
| Liabilities an Capital: | | |
| Common Stock Issued | 1,000 | 1,000 |
| Preferred Stock Issued | | |
| Other Paid In Capital | 16,210 | 16,210 |
| Retained Earnings | (2,577) | (77) |
| Proprietary Capital | | |
| Total Capital | | |
| | 14,633 | 17,133 |
| Long Term Debt | | |
| Accounts Payable | | |
| Notes Payable | | |
| Customer Deposits | | |
| Accrued Taxes | | |
| Other Liabilities (Specify) | | |
| Shareholder Loans | 1,796 | 1,796 |
| | | |
| | | |
| Advances for Construction | | |
| Contributions In Aid Of Construction | | |
| | | |
| Total Liabilities and Capital | 16, 429 | 18,929 |
| | | |
| | | |

Accumulated Depreciation and Amortization of Utility Plant

| Account 108 | Current Year | Previous Year |
|--|--------------|---------------|
| Balance First of Year | 99,788 | 96,187 |
| Credits During Year | | |
| Accruals Charged to Depreciation Account | 3,223 | 3,601 |
| Salvage | | |
| Other Credits (Specify) | | |
| | | |
| | | |
| Total Credits | 3,223 | 3,601 |
| Debits During Year: | | |
| Book Cost of Plant Retired | | |
| Cost of Removal | | |
| Other Debits (Specify) | | |
| | | |
| | | |
| Balance End of Year | 103,011 | 99,788 |
| | | |

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 |
|---|-----------------------------|--------|
| N/A | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Total During Year | | |
| | | |

ACCUMULATED DEFERRED INCOME TAXES

| Description | Total |
|---|-------|
| Accumulated Deferred Income Taxes: | |
| Federal | |
| State | N/A |
| | |
| Total Accumulated Deferred Income Taxes | |
| | |

CAPITAL STOCK

| | Common Stock | Preferred Stock |
|---------------------------------------|-----------------|--------------------|
| Par or stated value per share | 1 | |
| Shares authorized | 1,000 | |
| Shares issued and outstanding | 1,000 | |
| Total par value of stock issued | 1,000 | |
| Dividends declared per share for year | -0- | |
| | | |

RETAINED EARNINGS

| | Appropriated | Unappropriated |
|--------------------------------|--------------|----------------|
| Balance first of year | | (77) |
| Changes during year (Specify): | | |
| Net Loss | | (2,499) |
| Rounding | | (1) |
| | | |
| Balance end of year | | (2,577) |
| | | |

PROPRIETARY CAPITAL

| | Proprietor or Partner | Partner |
|--------------------------------|--------------------------|---------|
| Balance first of year | | |
| Changes during year (specify): | | |
| | | |
| | | |
| Balance end of year | | |
| | | |

LONG TERM DEBT

| Description of Obligation | Interest | | Principal Per Balance Sheet Date |
|---------------------------|----------|-------|--|
| | Rate | Pymts | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total | | | |
| | | | |

WATER UTILITY PLANT ACCOUNTS

| Acct No. | Account Name | Previous Year | Additions | Retirements | Current Year |
|----------|---|----------------|-----------|-------------|----------------|
| 301 | Organization | | | | |
| 302 | Franchises | | | | |
| 303 | Land & Land Rights | | | | |
| 304 | Structures and Improvements | | | | |
| 305 | Collecting and Impounding Reservoirs | | | | |
| 306 | Lake River and Other Intakes | | | | |
| 307 | Wells and Springs | 15,533 | | | 15,533 |
| 308 | Infiltration Galleries and Tunnels | | | | |
| 309 | Supply Mains | | | | |
| 310 | Power Generation Equipment | | | | |
| 311 | Pumping Equipment | 14,946 | | | 14,946 |
| 320 | Water Treatment Equipment | | | | |
| 330 | Distribution Reservoirs and Standpipes | | | | |
| 331 | Transmission and Distribution Mains | 81,265 | | | 81,265 |
| 333 | Services | | | | |
| 334 | Meters and Meter Installations | | | | |
| 335 | Hydrants | | | | |
| 339 | Other Plant and Miscellaneous Equipment | 5,513 | | | 5,513 |
| 340 | Office Furniture and Equipment | | | | |
| 341 | Transportation Equipment | | | | |
| 342 | Stores Equipment | | | | |
| 343 | Tools, Shop & Garage Equipment | | | | |
| 344 | Laboratory Equipment | | | | |
| 345 | Power Operated Equipment | | | | |
| 346 | Communication Equipment | | | | |
| 347 | Miscellaneous Equipment | | | | |
| 348 | Other Tangible Plant | | | | |
| | Total Water Plant | 117,257 | | | 117,257 |
| | | | | | |

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 YEAR | DEBITS | CREDITS | ACCUMULATED DEPRECIATION BALANCE END OF YEAR |
|-----------|--------------------------------------|-------------------------------|----------------------------|--------------------|--|--------|---------|--|
| 304 | Structures & Improvements | | % | % | | | | |
| 305 | Collecting & Impounding Reservoirs | | % | % | | | | |
| 306 | Lake River & Other Intakes | | % | % | | | | |
| 307 | Wells and Springs | | % | % | | | | |
| 308 | Infiltrations Galleries & Tunnels | 15 | % | 3.6% | 9,988 | | 555 | 10,543 |
| 309 | Supply Mains | | % | % | | | | |
| 310 | Power Generating Equip. | | % | % | | | 705 | 13,182 |
| 311 | Pumping Equipment | 7 | % | 4.7% | 12,477 | | | |
| 320 | Water Treatment Equip. | | % | % | | | | |
| 330 | Distribution Reservoirs & Standpipes | | % | % | | | | |
| 331 | Trans. & Dist. Mains | 25 | % | 2.1% | 72,066 | | 1,707 | 73,773 |
| 333 | Services | | % | % | | | | |
| 334 | Meter & Meter Installation | | % | % | | | | |
| 335 | Hydrants | | % | % | | | | |
| 339 | Other Plant & Misc. Equip. | 50 | % | 4.6% | 5,257 | | 256 | 5,513 |
| 340 | Office Furniture and Equipment | | % | % | | | | |
| 341 | Transportation Equip. | | % | % | | | | |
| 342 | Stores Equipment | | % | % | | | | |
| 343 | Tools, Shop & Garage Equipment | | % | % | | | | |
| 344 | Laboratory Equipment | | % | % | | | | |
| 345 | Power Operated Equipment | | % | % | | | | |
| 346 | Communication Equipment | | % | % | | | | |
| 347 | Miscellaneous Equipment | | % | % | | | | |
| 348 | Other Tangible Plant | | % | % | | | | |
| | Totals | | | | 99,788 | | 3,223 | 103,011 |

WATER OPERATION AND MAINTENANCE EXPENSE

| ACCOUNT NAME | AMOUNT |
|--|---------------|
| Salaries and Wages - Employees | |
| Salaries and Wages - Officers, Directors and Majority Stockholders | |
| Employee Pensions and Benefits | |
| Purchased Water | 17,705 |
| Purchased Power | |
| Fuel For Power Production | |
| Chemicals | 940 |
| Materials and Supplies | 9,705 |
| Contractual Services | 72 |
| Rents | |
| Transportation Expense | 1,209 |
| Insurance Expense | |
| Regulatory Commission Expense | |
| Bad Debt Expense | |
| Miscellaneous Expense | 132 |
| Total | 29,763 |

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 |
|---------------------------------------|--------|--------------------------------|
| AZ & Co. | 1,038 | tax preparation and accounting |
| Judy Lowry | 1,200 | accounting |
| Haggest Water Systems | 2,050 | water sampling and monitoring |
| Jack Lowry Excavating | 3,192 | systems repairs |
| Intermountain Cousulting Engineers | 750 | engineering |
| | | |
| | | |
| | | |
| | | |
| | | |

SOURCES OF WATER SUPPLY

Surface Water: River _____ Lake _____ Stream _____ Impounding Res. _____
 Ground Water: Springs No. _____ Shallow Wells No. _____ Deep Wells No. _____

SUPPLY, TRANSMISSION & DISTRIBUTION MAINS (FEET)

| Size Inches | First of Year | Laid During Year | Total | Abandoned During Yr. | Taken Up During Yr. | Total | Close of Year |
|-------------|---------------|------------------|-------|----------------------|---------------------|-------|---------------|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| Total | | | | | | | |
| | | | | | | | |

RESERVOIRS, STANDPIPES AND PURIFICATION SYSTEM

Number of Reservoirs 1 Capacity in Gallons _____
 Number of Standpipes _____ Capacity in Gallons _____
 Method of Purification _____

SERVICES AND METERS

| | | | | | | | | | | |
|----------|---------|---------|-------|-----------|-------|-------|-------|-------|--|--|
| Services | 1/2 in. | 5/8 in. | 1 in. | 1 1/2 in. | 2 in. | 3 in. | 4 in. | 6 in. | | |
| | | | | | | | | | | |
| Meters | | | | | | | | | | |

NUMBER AND CLASSIFICATION OF CONSUMERS

-Beginning of Year-

-Close of Year-

| Classification | Metered | Unmetered | Total | Metered | Unmetered | Total | Increase or Decrease |
|----------------|---------|-----------|-------|---------|-----------|-------|----------------------|
| Residential | | 64 | 64 | | 66 | 66 | 2 |
| Commercial | | | | | | | |
| Industrial | | | | | | | |
| Fire Hydrants | | | | | | | |
| Governmental | | | | | | | |
| All Other | | | | | | | |
| Total | | 64 | 64 | | 66 | 66 | 2 |
| | | | | | | | |

TOTAL PUMPING STATION STATISTICS

Total Amount of Water Obtained by all methods during the Year _____ gals.
 Maximum Water obtained all methods during any one day _____ gals.
 Minimum Amount of Water obtained all methods during one day _____ gals.
 Total Amount of Water passed through customers meters during year _____ gals.
 Range of ordinary pressure on mains _____ lbs. to _____ lbs.
 Range of fire pressure in mains _____ lbs. to _____ lbs.

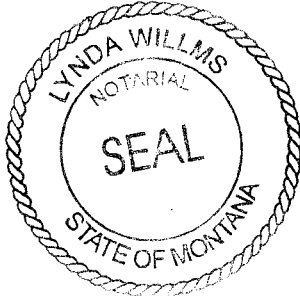
STATE OF MONTANA)
County of Yuma & Clark)

I

We, the undersigned, on our oath do severally say that the foregoing return the MOUNTAIN HERITAGE ASSOC., water utility, has been prepared under our direction from the original books, papers 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.

John L. Laway

Subscribed and sworn to before me this 2 day of April, 19 2007.



Lynda Willms
Notary Public for the
State of Montana.

My Commission Expires 8/5/2007