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PUBLIC SERVICE
COMMISSION

ANNUAL REPORT

OF THE

NAME: MOUNTAIN WATER COMPANY

LOCATION: 1345 W. BROADWAY, MISSOULA, MONTANA 59802

PRIVATE WATER UTILITY

TO THE

PUBLIC SERVICE COMMISSION

OF MONTANA

FOR THE YEAR ENDING DECEMBER 31, 2007

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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INCOME STATEMENT

Account Name	Current Year	Previous Year
GROSS REVENUE:		
Metered		
Residential	5,694,263	5,160,165
Commercial	3,886,734	3,653,770
Industrial	0	0
Other	1,535,049	1,446,147
Unmetered		
Residential	2,848,741	3,021,610
Commercial	170,703	165,674
Industrial	0	0
Fire Protection	574,392	581,207
Bulk Sales	0	0
Sale of Materials	0	0
Other	717,121	1,078,066
TOTAL GROSS REVENUE	15,427,003	15,106,639
Operation and Maintenance Expense	9,227,003	8,401,240
Depreciation Expense	1,884,383	1,703,530
Taxes Other Than Income	1,111,067	1,086,543
Income Taxes (A)	1,582,556	1,757,871
Deferred Federal Income Taxes	0	0
Amortized - Intangible Plant	40,258	40,258
Deferred State Income Taxes	0	0
TOTAL OPERATING EXPENSE	13,845,267	12,989,442
NET OPERATING INCOME (LOSS)	1,581,736	2,117,197
Other Income:		
Investment Tax Credits	0	0
Non-Operating Income	0	0
Interest Income	829,354	710,137
Allow. Funds Used - Construct.	20,167	20,864
Other Deductions:		
Non-Utility Expenses	578	591
Interest Expense	0	0
Miscellaneous Deductions	31,345	28,833
NET INCOME (LOSS)	2,399,334	2,818,774

(A) Excludes \$25,717 of non-utility income tax benefit.

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, 2007

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
Officers & Managers: HENRY H. WHEELER, JR.	PRESIDENT	9750 WASHBURN ROAD P.O. BOX 7002 DOWNEY, CA 90241-7002	Note A
NYRI A. WHEELER-LEWIS	SECRETARY	SAME AS ABOVE	Note A
LEIGH K. JORDAN	EXECUTIVE VICE PRESIDENT	SAME AS ABOVE	Note A
ARVID HILLER	VICE PRESIDENT & GENERAL MANAGER	1345 W. BROADWAY MISSOULA, MT 59802	Note A
JOHN KAPPES	ASST VICE PRESIDENT & ASST GM	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

COMPARATIVE BALANCE SHEET

ACCOUNT NAME	CURRENT YEAR	PREVIOUS YEAR
Assets:		
Utility Plant in Service (A), (B)	77,504,602	72,219,883
Accumulated Depreciation and Amortization	(19,858,195)	(18,093,888)
Net Utility Plant	57,646,407	54,125,995
Cash	53,159	37,787
Customer Account Receivable	719,950	623,704
Other Assets (Specify)-		
Non-Utility Property		
Less Acc. Depreciation		
Utility Plant Acquisition Adjustment	354,515	392,255
Land Held For Future Use	430,943	678,189
Materials and Supplies	209,688	198,178
Misc. & Prepays (B)	562,009	530,563
Misc. Deferred Debits	18,666	17,873
Deferred Employee Benefits	275,478	259,890
Regulatory Accounts	3,638,663	1,464,832
Open Accounts	(3,923,387)	(4,908,638)
Total Assets	59,986,091	53,420,628
Liabilities and Capital:		
Common Stock Issued	6,940,578	6,940,578
Preferred Stock Issued		
Other Paid in Capital	2,008,000	2,008,000
Retained Earnings	22,413,001	20,013,667
Proprietary Capital		
Total Capital	31,361,579	28,962,245
Long Term Debt		0
Accounts Payable	452,828	483,996
Notes Payable	0	0
Customer Deposits	1,066	645
Accrued Taxes	409,642	404,848
Other Liabilities (Specify)		
Interest Accrued	0	0
Misc. Liabilities	489,989	436,404
Deferred Credits	3,659,470	1,051,112
Deferred Income Tax & ITC	6,500,441	6,371,597
Advances for Construction	15,013,173	13,678,741
Contributions in Aid of Construction	2,097,903	2,031,039
Total Liabilities and Capital	59,986,091	53,420,628

(A) Includes \$728,340 and \$133,376 of Construction in Progress for 2007 and 2006 respectively.

(B) Balance excludes Intangible Plant which is included in Miscellaneous and Prepaid category in the amount of \$35,571 and \$38,090 for 2007 and 2006 respectively.

ACCUMULATED DEPRECIATION AND AMORTIZATION OF UTILITY PLANT

ACCOUNT 108	CURRENT YEAR	PREVIOUS YEAR
Balance First of Year	18,093,888	16,722,237
Credits During Year:		
Accruals Charged to Depreciation Account	1,884,383	1,703,530
Salvage	8,711	12,784
Other Credits - Contributions	43,012	51,773
Other Credits	0	0
Clearing Accounts	79,705	74,402
Total Credits	2,015,811	1,842,489
Debits During Year:		
Book Cost of Plant Retired	237,305	469,781
Cost of Removal	14,199	0
Other Debits (Specify)- reimbursement for damages-mains	0	1,057
Total Debits	251,504	470,838
Balance End of Year	19,858,195	18,093,888

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"	
3107CP01 MillSite	Property	29,000
3107CP01 Millsite	Cash	10,127
3106CP03 Murphy Street	Cash	65,712
3107CP04 Hayes Ext	Cash	4,352
Total During Year		109,191

ACCUMULATED DEFERRED INCOME TAXES

Description	
Accumulated Deferred Income Taxes:	6,500,441
Total Accumulated Deferred Income Taxes	6,500,441

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		20,013,667
Changes during year (Specify):		
Missoula 2007 Net Income		2,399,334
Balance end of year		22,413,001

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	0	0	0	0
302	Franchises	0	0	0	0
303	Land and Land Rights	922,040	231,368	0	1,153,408
304	Structures and Improvements	5,177,836	(310,888)	22,206	4,844,742
305	Collecting and Impounding Reservoirs	213,121	206,647	25,459	394,308
306	Lake, River and Other Intakes	0	0	0	0
307	Wells and Springs	307,468	16,542	10,139	313,870
308	Infiltration Galleries and Tunnels	0	0	0	0
309	Supply Mains	342,084	19,785	4,675	357,194
310	Power Generation Equipment	882,977	61,172	0	944,149
311	Pumping Equipment	3,338,460	31,582	65,518	3,304,524
320	Water Treatment Equipment	261,785	10,883	4,238	268,430
330	Distribution Reservoirs and Standpipes	4,022,145	1,271,575	53,055	5,240,664
331	Transmission and Distribution Mains	43,639,617	2,151,566	55,428	45,735,755
333	Services	150,782	36,947	0	187,730
334	Meters and Meter Installations	4,447,903	596,023	(126,483)	5,170,409
335	Hydrants	3,627,831	243,006	(3,106)	3,873,943
339	Other Plant and Miscellaneous Equipment	0	0	0	0
340	Office Furniture and Equipment	203,239	2,917	255	205,900
341	Transportation Equipment	866,859	384	0	867,243
342	Stores Equipment	0	0	0	0
343	Tools, Shop and Garage Equipment	439,471	(69,866)	2,475	367,129
344	Laboratory Equipment	12,990	0	0	12,990
345	Power Operated Equipment	18,542	0	0	18,542
346	Communication Equipment	361,226	81,874	84,185	358,915
347	Miscellaneous Equipment	2,802,119	393,557	39,260	3,156,416
348	Other Tangible Plant	48,013	(48,013)	0	0
	Construction Work in Progress	133,376	728,340	133,376	728,340
	TOTAL WATER PLANT	72,219,883	5,655,400	370,681	77,504,602

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				19,936	0	15,065	35,001
304	Structures & Improvements	VARIES	VARIES %	VARIES %	1,790,900	24,574	125,773	1,892,097
305	Collecting & Impounding Reservoirs	50	-5.0%	2.08%	28,892	25,459	230,795	234,222
306	Lake, River & Other Intakes				0	0	0	0
307	Wells & Springs	40	-5.0%	2.56%	169,406	10,139	18,881	178,146
308	Infiltrations Galleries & Tunnels				0	0	0	0
309	Supply Mains	50	-5.0%	2.06%	193,940	6,933	(15,061)	171,942
310	Power Generating Equipment	25	0.0%	3.76%	210,134	0	38,094	248,228
311	Pumping Equipment	25	Varies %	Varies %	1,420,172	65,518	125,006	1,479,664
320	Water Treatment Equipment	20	0.0%	3.60%	112,398	4,238	9,424	117,500
330	Distribution Reservoirs & Standpipes	40	0.0%	2.30%	1,765,674	59,511	(170,501)	1,535,664
331	Trans. & Dist. Mains	50	0.0%	1.97%	8,701,565	56,699	872,621	9,517,445
333	Services	40	0.0%	2.43%	43,678	0	2,525	46,203
334	Meter & Meter Installation	30	Varies %	Varies %	478,008	(126,483)	163,373	767,898
335	Hydrants	40	5.0%	2.43%	691,085	(1,261)	88,191	780,515
339	Other Plant & Misc. Equipment				0	0	0	0
340	Office Furniture and Equipment	15	10.0%	5.16%	115,292	255	9,930	124,977
341	Transportation Equipment	10	10.0%	6.68%	501,576	0	57,906	559,482
342	Stores Equipment				0	0	0	0
343	Tools, Shop & Garage Equipment	20	5.0%	4.94%	126,903	2,475	15,280	139,708
344	Laboratory Equipment	10	0.0%	4.95%	10,490	0	643	11,133
345	Power Operated Equipment	20	5.0%	0.48%	16,964	0	89	17,053
346	Communication Equipment	10	0.0%	11.04%	197,618	96,062	39,879	141,445
347	Miscellaneous Equipment	6	5.0%	11.48%	1,493,257	27,383	393,898	1,859,737
348	Other Tangible Plant				6,000	0	(6,000)	0
	Totals				18,093,888	251,504	2,015,811	19,858,111

NAME OF RECIPIENT	AMOUNT	DESCRIPTION OF DATA
4G's Plumbing & Heating	12,661	Plumbing/mechanical services
ADP	14,320	Payroll service
AWWA Research Foundation	10,051	Subscription to research
Bitterroot Motors	7,275	Service/repair vehicle fleet
Bitterroot Welding & Hydraulics	8,143	Welding & hydraulic services
Brown & Caldwell	9,956	Safety consulting
Camp Well Drilling	14,020	Drilling & mechanical services
Canon J.Price	9,656	Financial consulting services
Caras Nursery and Landscaping	5,227	Landscaping service
CBM Collections, Inc	13,234	Collection fees
Christopher Schilling	3,421	Financial consulting services
DJ&A, PC	9,393	Engineering services
Eli & Associates, Inc.	18,916	Engineering services
Energy Labs, Inc.	17,469	Water testing
Embe Contracting, Inc.	303,676	Excavation work
ESRI, Inc.	13,560	Maint agreement-software GIS
Express Personnel Services	18,161	Temp employee services
Fletcher Excavation	108,844	Excavation work
Fulbright and Jaworski	13,462	Legal fees
Fussell Engineering Corporation	5,100	Engineering Services
Garlington, Lohn & Robinson	12,891	Legal fees
GE Fanuc Automation	5,058	SCADA maintenance contract
Gordon Construction	704,027	Construction work
HDR Engineering, Inc	24,855	Engineering services/rate case study
High Country Excavating, Inc	22,952	Excavation work
Hill, Farrer & Burrill	13,487	Legal fees
Hughes, Kellner, Sullivan & Alke	23,084	Legal fees
Hutchison and Bloodgood	3,403	Audits of benefit plans
Hydrometrics	5,365	Engineering services
Jackson Wallace	9,153	Legal fees
Jason Rubin	8,771	Financial consulting services
Johnson Controls	12,817	Service work
JTL Group, Inc	25,388	Water line repair
K & N Electrical Motors, Inc.	6,384	Service pump/motors
Karl Tyler Chevrolet	16,942	Service/repair vehicle fleet
Kohlers Sprinkler and Backflow	10,554	Sprinkler repair/irrigation
Les Schwab Tire Center	9,115	Service/repair vehicle fleet
Lewis Brisbois	7,558	Legal fees
LS Jensen & Sons, Inc.	146,240	Excavation work
Metalworks of Montana	8,304	Roof repair services
Minuteman Aviation	11,335	Helicopter services
Missoula City/County Health Dept.	18,881	Water testing
Missoula Textiles	19,564	Laundry service
Montana Conservation Corps	21,600	Dam repair & maintenance

NAME OF RECIPIENT	AMOUNT	DESCRIPTION OF DATA
Montana Printing	8,600	Printing service
Nash Enterprises, Inc	9,212	Excavation work
National Notification Network	4,902	Call-in notification service
Nature's Best	49,643	lawn/site maintenance
Navtrak	12,561	Vehicle tracking system
Otto's Towing & Crane Service	6,603	Crane services
Paulson Electric	159,264	Electrical repairs
PBS&J	21,080	Engineering services
Peasley, Aldinger & O'Bymachow	104,439	Audit fees
Pew Construction	29,265	Construction work
Platinum Graphics	61,852	Mailing service
Poteet Construction, Inc.	10,267	Signage service
Professional Consulting, Inc.	146,866	Engineering services
Quality Maintenance Enterprises	14,357	Janitorial services
Qwest	11,820	Telemetry/phone line services
Salt Studio	39,461	Advertising services
SC Wrights Insurance	483,296	Commercial insurance
Securitas Security Service	14,433	Alarm/security service
Shadow Asphalt	18,745	Paving and asphalt services
SICC	69,100	Painting services
SK Geotechnical Corporation	8,207	Engineering services
Sprint	20,736	Computer data link line
Stablepath	5,340	Network maintenance
Storage Solutions LLC	5,279	Off site storage
Systems Management	5,140	Computer consultation service
Summit Transfer	5,750	Landscaping service
Technology Unlimited Inc	11,020	Software support/maintenance agreements
Territorial-Landworks Inc	7,777	Engineering Services
The Waterman	70,352	Contracted locates/water service
US Bank	16,572	Service charge
Utilities Underground Location Center	9,182	Location requests
Verizon Wireless	22,653	Cell phone service
Western Excavating	38,998	Excavation work
Western States Equipment Co.	78,672	Service generators
WGM Group	300,533	Engineering services

Total 3,646,248

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							
TOTAL			0	0	0		

RESERVOIRS, STANDPIPES AND PURIFICATION SYSTEM

Number of Reservoirs	12	Capacity in Gallons	8,358,804
Number of Standpipes	13	Capacity in Gallons	1,716,700
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.
	14,954	249	5,591	232	422	32	192	96	38	1
Meters										
	14,187	741	965	316	354	58	26	8	3	1

NUMBER AND CLASSIFICATION OF CONSUMERS

16,659

Classification	Beginning of the year			Close of the year			Increase or (Decrease)
	Metered	Unmetered	Total	Metered	Unmetered	Total	
Residential rev code 11 & 91	11,909	6,100	18,009	12,867	5,409	18,276	267
Commercial 22 & 92	3,063	154	3,217	3,174	148	3,322	105
Industrial 33	1	0	1	1	0	1	0
Fire Hydrants 62	0	1,174	1,174	0	1,174	1,174	0
Governmental 45 & 94	65	41	106	65	40	105	(1)
Other 70, 73, 52	507	437	944	552	458	1,010	66
(Includes inactives 73)							
Total	15,545	7,906	23,451	16,659	7,229	23,888	437

TOTAL PUMPING STATION STATISTICS

Total Amount of Water Obtained by all methods during the Year	9,532,085,550	gals. estimate
Maximum Water obtained all methods during any one day	50,938,389	gals. estimate
Minimum Amount of Water obtained all methods during one day	18,143,126	gals. estimate
Total Amount of Water passed through customers meters during year	3,674,475,033	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	16,489		16,489			0	16,489
1"	251		251			0	251
1-1/2"	70		70			0	70
2"	44,189	246	44,435	256		256	44,179
3"	3,059		3,059			0	3,059
4"	27,706		27,706			0	27,706
5"	498		498			0	498
6"	733,661	121	733,782	1,091		1,091	732,691
8"	347,004	17,069	364,073	58		58	364,015
10"	161,996	248	162,244	248		248	161,996
12"	129,783	4,856	134,639	100		100	134,539
14"	21,133		21,133			0	21,133
16"	38,715	1,907	40,622			0	40,622
18"	720		720			0	720
20"	31,056		31,056			0	31,056
24"	53,061		53,061			0	53,061
30"	861		861			0	861
36"	925		925			0	925
TOTAL	1,611,177	24,447	1,635,624	1,753	0	1,753	1,633,871

Note A: Certain ending balances from the 2006 report have been corrected. The net impact is 129,431 more feet.

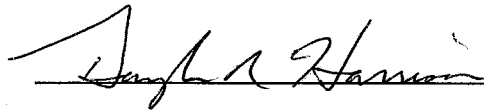
STATE OF MONTANA)
County of Missoula)

We, the undersigned, on our oath do severally say that the foregoing return of the Mountain Water Company 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 21st day of April, 2008.



DOUGLAS R. HARRISON
NOTARY PUBLIC for the State of Montana
Residing at Missoula, Montana
My Commission Expires January 16, 2012.

