

YEAR 2007 RECEIVED BY

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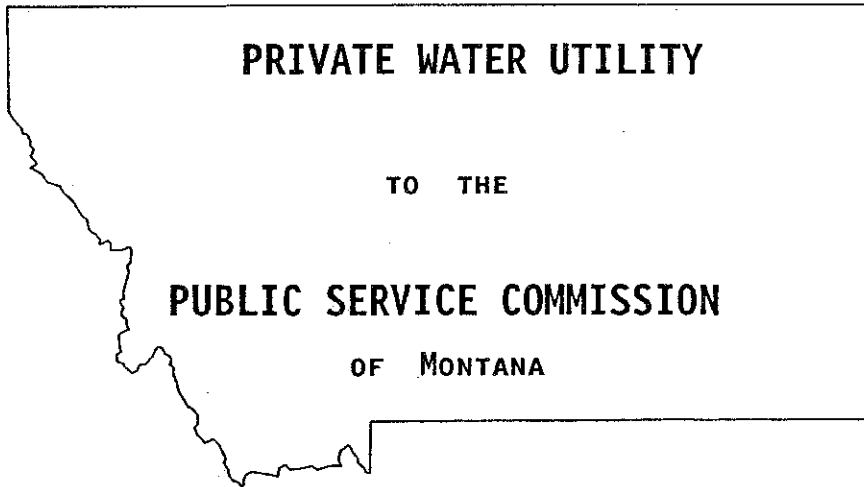
PUBLIC SERVICE
COMMISSION

ANNUAL REPORT

OF THE

NAME PHANTOM HILLS WATER COMPANY

LOCATION MISSOULA, 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 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

PHANTOM HILLS WATER COMPANY
(Exact Name of Utility)

PO BOX 16630 MISSOULA, MT 59808

(Address) For Year Ended DECEMBER 31, 2007 *(City, State, Zip Code)*

Date Utility First Organized 1-23-2004

Telephone Number 406-523-1600

Location where books and records are located 101 INTERNATIONAL WAY MISSOULA

Contracts:			
Name	Title	Principal Business Address	Salary
J EISENMANN Person to send correspondence:	DIRECTOR ASSET MGMT	101 INTERNATIONAL WAY MISSOULA, MT 59808	XXXXXXXX
J EISENMANN Person who prepared this report:	DIRECTOR ASSET MGMT	101 INTERNATIONAL WAY MISSOULA, MT 59808	XXXXXXXX
Officers & Managers:			\$
			\$
			\$
			\$
			\$
			\$

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
D R WASHINGTON	100%	PO BOX 16630 MSLA, MT	\$ 0
			\$
			\$

INCOME STATEMENT

Account Name	Current Year	Previous Year
GROSS REVENUE:		
Metered		
Residential	27,673	19,335
Commercial	1,815	1,392
Industrial		
Other		
Unmetered		
Residential		
Commerical		
Industrial		
Fire Protection	8,001	8,001
Bulk Sales		
Sale of Materials		
Other		
TOTAL GROSS REVENUE	37,489	28,728
Operation and Maintenance Expense	75,500	30,785
Depreciation Expense	90,207	87,962
Taxes Other Than Income	4,267	0
Income Taxes		
Deferred Federal Income Taxes		
Deferred State Income Taxes	351	0
TOTAL OPERATING EXPENSE	170,325	118,747
NET OPERATING INCOME (LOSS)	(132,836)	(90,019)
Other Income:		
Non-Utility Income	0	0
Other Deductions:		
Non-Utility Expenses		
Interest Expense	208,946	183,516
NET INCOME (LOSS)	(341,782)	(273,535)

COMPARATIVE BALANCE SHEET

ACCOUNT NAME	CURRENT YEAR	PREVIOUS YEAR
Assets:		
Utility Plant In Service	1,843,372	1,755,141
Accumulated Depreciation and Amortization	(312,855)	(134,686)
Net Utility Plant		
Cash	1,390	5,764
Customer Account Receivable	3,905	239
Other Assets (Specify)		
PREPAID INS	943	613
Total Assets	1,536,755	1,627,071
Liabilities an Capital:		
Common Stock Issued	1,000	1,000
Preferred Stock Issued		
Other Paid In Capital		
Retained Earnings	(957,631)	(346,581)
Proprietary Capital		
Total Capital		
Long Term Debt	2,473,100	1,950,600
Accounts Payable	20,286	22,052
Notes Payable		
Customer Deposits		
Accrued Taxes		
Other Liabilities (Specify)		
Advances for Construction		
Contributions In Aid Of Construction		
Total Liabilities and Capital	1,536,755	1,627,071

Accumulated Depreciation and Amortization of Utility Plant

Account 108	Current Year	Previous Year
Balance First of Year	222,648	134,686
Credits During Year		
Accruals Charged to Depreciation Account	90,207	87,962
Salvage		
Other Credits (Specify)		
Total Credits	90,207	87,962
Debits During Year:		
Book Cost of Plant Retired		
Cost of Removal		
Other Debits (Specify)		
Balance End of Year	312,855	222,648

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
Total During Year	0	0

ACCUMULATED DEFERRED INCOME TAXES

Description	Total
Accumulated Deferred Income Taxes:	
Federal	0
State	0
Total Accumulated Deferred Income Taxes	0

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	(620,116)	
Changes during year (Specify): 2007 NET LOSS	(337,515)	
Balance end of year	(957,631)	

PROPRIETARY CAPITAL

	Proprietor or Partner	Partner
Balance first of year	0	
Changes during year (specify):	0	
Balance end of year	0	

LONG TERM DEBT

Description of Obligation	Interest		Principal Per Balance Sheet Date
	Rate	Pymts	
REVOLVING LOAN NOT TO EXCEED \$4 MILLION. TERM 3/1/04 TO 3/1/09 NO COLLATERAL	PRIME + 1%	INT ONLY	2,473,100
Total			2,473,100

WATER UTILITY PLANT ACCOUNTS

Acct No.	Account Name	Previous Year	Additions	Retirements	Current Year
301	Organization				
302	Franchises				
303	Land & Land Rights	11,577			11,577
304	Structures and Improvements				
305	Collecting and Impounding Reservoirs				
306	Lake River and Other Intakes				
307	Wells and Springs	575,875	14,256		590,131
308	Infiltration Galleries and Tunnels				
309	Supply Mains				
310	Power Generation Equipment				
311	Pumping Equipment	195,027			195,029
320	Water Treatment Equipment				
330	Distribution Reservoirs and Standpipes				
331	Tranmission and Distribution Mains	629,383			629,383
333	Services				
334	Meters and Meter Installations	25,832	3,017		28,849
335	Hydrants	63,264			63,264
339	Other Plant and Miscellaneous Equipment	246,366	78,775		325,141
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	57,042	21,733	78,775	0
	Total Water Plant	1,804,366	117,781	78,775	1,843,372

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	10	0 %	0 %	2,654		1,158	3,812
305	Collecting & Impounding Reservoirs		%	%				
306	Lake River & Other Intakes		%	%				
307	Wells and Springs	20	0 %	0 %	75,467		29,009	104,469
308	Infiltrations Galleries & Tunnels		%	%				
309	Supply Mains		%	%				
310	Power Generating Equip.		%	%				
311	Pumping Equipment	20	0 %	0 %	25,597		9,751	35,348
320	Water Treatment Equip.		%	%				
330	Distribution Reservoirs & Standpipes		%	%				
331	Trans. & Dist. Mains	20	0 %	0 %	77,264		31,469	108,733
333	Services		%	%				
334	Meter & Meter Installation	20	0 %	0 %	2,946		1,376	4,322
335	Hydrants	20	0 %	0 %	6,384		3,163	9,547
339	Other Plant & Misc. Equip.	20	0 %	0 %	32,336		14,288	46,624
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				222,648		90,207	312,855

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	
Purchased Power	6,984
Fuel For Power Production	
Chemicals	
Materials and Supplies	1,009
Contractual Services	63,155
Rents	
Transportation Expense	
Insurance Expense	4,050
Regulatory Commission Expense	
Bad Debt Expense	
Miscellaneous Expense	302
Total	75,500

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
DONEY CROWLEY	6,654	LEGAL FEES
ANDERSON ZURMUEHLEN	4,310	CONSULTANT
WASHINGTON CORP	28,414	ACCT, MGMT, MAINT & METER READING
PCI	23,558	SAMPLING & TESTING
4 G PLUMBING	150	MAINTENANCE
RANKIN LANDSCAPE	69	LANDSCAPE MAINTENANCE
	63,155	

SOURCES OF WATER SUPPLY

Surface Water: River _____ Lake _____ Stream _____ Impounding Res. _____
 Ground Water: Springs No. _____ Shallow Wells No. _____ Deep Wells No. x 2

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
8"	12,200	0	12,200	0	0	12,200	12,200
10"	1,900	0	1,900	0	0	1,900	1,900
12"	600	0	600	0	0	600	600
Total						14,700	14,700

RESERVOIRS, STANDPIPES AND PURIFICATION SYSTEM

Number of Reservoirs 1 Capacity in Gallons 400,000
 Number of Standpipes 0 Capacity in Gallons _____
 Method of Purification CHLORINATION

SERVICES AND METERS

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

NUMBER AND CLASSIFICATION OF CONSUMERS

-Beginning of Year- -Close of Year-

Classification	Metered	Unmetered	Total	Metered	Unmetered	Total	Increase or Decrease
Residential							
Commercial							
Industrial							
Fire Hydrants							
Governmental							
All Other							
Total							

TOTAL PUMPING STATION STATISTICS

Total Amount of Water Obtained by all methods during the Year 9,172,908 gals.
 Maximum Water obtained all methods during any one day 68,049.92 gals.
 Minimum Amount of Water obtained all methods during one day 7,752.00 gals.
 Total Amount of Water passed through customers meters during year _____ gals.
 Range of ordinary pressure on mains 50 lbs. to 90 lbs.
 Range of fire pressure in mains 40 lbs. to 80 lbs.

STATE OF MONTANA)
County of Missoula)

We, the undersigned, on our oath do severally say that the foregoing return the PHANTOM HILLS WATER COMPANY, 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 Eisenmann

Subscribed and sworn to before me this 4th day of Sept., 2008.

Valisa Pancake

Valisa Pancake

Expires: December 5, 2011

