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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, 2010**

## 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>
For Year Ended: _____	DECEMBER 31, 2010
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	
NYRI A. WHEELER-LEWIS	SECRETARY	SAME AS ABOVE	
LEIGH K. JORDAN	EXECUTIVE VICE PRESIDENT	SAME AS ABOVE	
ARVID HILLER	VICE PRESIDENT & GENERAL MANAGER	1345 W. BROADWAY MISSOULA, MT 59802	
JOHN KAPPES	CO - CEO	1345 W. BROADWAY MISSOULA, MT 59802	

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
			\$
			\$

## INCOME STATEMENT

Account Name	Current Year	Previous Year
<b>GROSS REVENUE:</b>		
<b>Metered</b>		
Residential	6,054,010	6,577,997
Commercial	4,123,233	4,234,303
Industrial	0	0
Other	1,713,441	1,835,126
<b>Unmetered</b>		
Residential	2,690,296	2,807,870
Commercial	176,732	181,635
Industrial	0	0
Fire Protection	185,871	187,472
Bulk Sales	0	0
Sale of Materials	0	0
Other	1,100,362	806,527
<b>TOTAL GROSS REVENUE</b>	<b>16,043,945</b>	<b>16,630,930</b>
Operation and Maintenance Expense	9,780,724	9,773,522
Depreciation Expense	2,174,168	2,106,631
Taxes Other Than Income	1,311,755	1,238,682
Income Taxes (A)	1,476,185	1,633,098
Deferred Federal Income Taxes	0	0
Amortized - Intangible Plant	40,258	40,258
Deferred State Income Taxes	0	0
<b>TOTAL OPERATING EXPENSE</b>	<b>14,783,090</b>	<b>14,792,191</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>1,260,855</b>	<b>1,838,739</b>
Other Income:		
Investment Tax Credits	0	0
Non-Operating Income	0	0
Interest Income	488,601	426,677
Allow. Funds Used - Construct.	12,897	12,947
Other Deductions:		
Non-Utility Expenses	578	578
Interest Expense	6,825	6,963
Miscellaneous Deductions	27,893	34,092
<b>NET INCOME (LOSS)</b>	<b>1,727,057</b>	<b>2,236,730</b>

(A) Excludes \$(58,150) of non-utility income tax benefit.

## COMPARATIVE BALANCE SHEET

ACCOUNT NAME	CURRENT YEAR	PREVIOUS YEAR
<b>Assets:</b>		
Utility Plant in Service (A), (B)	87,919,863	84,920,825
Accumulated Depreciation and Amortization	(25,366,255)	(23,541,683)
<b>Net Utility Plant</b>	<b>62,553,608</b>	<b>61,379,142</b>
Cash	104,632	93,660
Customer Account Receivable	821,180	845,856
Other Assets (Specify)-		
Non-Utility Property		
Less Acc. Depreciation		
Utility Plant Acquisition Adjustment	241,295	279,035
Land Held For Future Use	468,477	456,157
Materials and Supplies	409,140	428,326
Misc. & Prepays (B)	705,608	619,522
Misc. Deferred Debits	20,401	19,717
Deferred Employee Benefits	282,579	255,927
Regulatory Accounts	6,195,484	4,454,111
Open Accounts	(797,900)	(1,659,051)
<b>Total Assets</b>	<b>71,004,504</b>	<b>67,172,402</b>
<b>Liabilities and Capital:</b>		
Common Stock Issued	6,940,578	6,940,578
Preferred Stock Issued		
Other Paid in Capital	2,008,000	2,008,000
Retained Earnings	27,627,024	25,899,967
Proprietary Capital		
<b>Total Capital</b>	<b>36,575,602</b>	<b>34,848,545</b>
Long Term Debt	270,000	0
Accounts Payable	572,817	368,400
Notes Payable	63,700	0
Customer Deposits	1,347	1,327
Accrued Taxes	538,646	463,545
Other Liabilities (Specify)		
Interest Accrued	10,727	
Misc. Liabilities	573,740	592,014
Deferred Credits	3,888,407	3,262,491
Deferred Income Tax & ITC	8,178,703	7,901,882
Advances for Construction	17,502,130	17,647,898
Contributions in Aid of Construction	2,828,685	2,086,300
<b>Total Liabilities and Capital</b>	<b>71,004,504</b>	<b>67,172,402</b>
<p>(A) Includes \$373,131 and \$431,040 of Construction in Progress for 2010 and 2009 respectively.</p> <p>(B) Balance excludes Intangible Plant which is included in Miscellaneous and Prepaid category in the amount of \$28,017 and \$30,535 for 2010 and 2009 respectively.</p>		

## ACCUMULATED DEPRECIATION AND AMORTIZATION OF UTILITY PLANT

ACCOUNT 108	CURRENT YEAR	PREVIOUS YEAR
Balance First of Year	23,541,683	21,622,041
Credits During Year:		
Accruals Charged to Depreciation Account	2,174,168	2,106,630
Salvage	18,750	4,083
Other Credits - Contributions	52,121	53,449
Other Credits-Corrections to accounts	43,025	102
Clearing Accounts	78,974	78,451
<b>Total Credits</b>	<b>2,367,038</b>	<b>2,242,715</b>
Debits During Year:		
Book Cost of Plant Retired	501,843	264,638
Cost of Removal	4,481	(173)
Other Debits (Specify)-Corrections to accounts	36,142	58,608
<b>Total Debits</b>	<b>542,466</b>	<b>323,073</b>
Balance End of Year	<b>25,366,255</b>	<b>23,541,683</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
Repl Inez/1st/2nd/River mains	Cash	366,169
Repl Livingston Ave main	Cash	92,024
Repl Fairview Ave main	Cash	139,306
Repl Mary Ave main	Cash	140,207
Repl Cooper/Sherwood mains	Cash	12,295
Fire Hydrants previously private	Property	11,854
Garfield/2nd main & ARV	Cash	8,715
The Hub on Expressway	Property	1,342
E Msla Addn - Iowa Ave	Property	11,705
<b>Total During Year</b>		<b>783,617</b>

## ACCUMULATED DEFERRED INCOME TAXES

Description	
Accumulated Deferred Income Taxes:	\$ 8,178,703
<b>Total Accumulated Deferred Income Taxes</b>	<b>\$ 8,178,703</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		25,899,967
Changes during year (Specify):		
2010 Net Income		1,727,057
Balance end of year		27,627,024

### 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	
General Obligation Bonds (Revolving Fund Program SER 09)	1.75%	Varies	270,000
Total	N/A	0	270,000



## WATER UTILITY PLANT ACCOUNTS

Acct. No.	Account Name	Previous Year	Additions	Retirements	Current Year
301	Organization	0			0
302	Franchises	0			0
303	Land and Land Rights	1,152,917	53,444		1,206,362
304	Structures and Improvements	5,255,808	97,696	7,772	5,345,733
305	Collecting and Impounding Reservoirs	429,985	41,425	2,130	469,281
306	Lake, River and Other Intakes	0			0
307	Wells and Springs	336,119			336,119
308	Infiltration Galleries and Tunnels	0			0
309	Supply Mains	337,436			337,436
310	Power Generation Equipment	1,005,507	290,051		1,295,558
311	Pumping Equipment	3,838,863	94,986	24,566	3,909,282
320	Water Treatment Equipment	265,970	2,998	2,696	266,271
330	Distribution Reservoirs and Standpipes	5,363,627	42,631		5,406,258
331	Transmission and Distribution Mains	50,380,561	2,030,521	52,712	52,358,370
333	Services	188,575			188,575
334	Meters and Meter Installations	5,933,771	213,076	162,877	5,983,971
335	Hydrants	4,465,509	144,673	2,558	4,607,625
339	Other Plant and Miscellaneous Equipment	0			0
340	Office Furniture and Equipment	211,642	5,551	2,856	214,338
341	Transportation Equipment	916,583	120,005	106,592	929,996
342	Stores Equipment	0			0
343	Tools, Shop and Garage Equipment	381,664	165,816	1,438	546,041
344	Laboratory Equipment	13,398			13,398
345	Power Operated Equipment	18,542			18,542
346	Communication Equipment	418,253	32,160	10,889	439,523
347	Miscellaneous Equipment	3,575,055	229,175	130,174	3,674,055
348	Other Tangible Plant	0			0
	Construction Work in Progress	431,040	373,131	431,040	373,131
	<b>TOTAL WATER PLANT</b>	<b>84,920,825</b>	<b>3,937,337</b>	<b>938,299</b>	<b>87,919,863</b>

## 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				36,203			36,203
304	Structures & Improvements	Varies	Varies	Varies	2,104,861	2,356	137,747	2,240,252
305	Collecting & Impounding Reservoirs	50	-5.0%	1.58%	248,774	2,130	6,793	253,437
306	Lake, River & Other Intakes				0			0
307	Wells & Springs	40	-5.0%	2.30%	194,054		7,731	201,784
308	Infiltrations Galleries & Tunnels				0			0
309	Supply Mains	50	-5.0%	2.56%	187,300		8,638	195,938
310	Power Generating Equipment	25	0.0%	4.21%	325,457		42,332	367,789
311	Pumping Equipment	25	Varies	Varies	1,674,393	29,801	133,294	1,777,886
320	Water Treatment Equipment	20	0.0%	3.60%	126,906	2,696	12,474	136,684
330	Distribution Reservoirs & Standpipes	40	0.0%	2.44%	1,781,861		131,495	1,913,356
331	Trans. & Dist. Mains	50	0.0%	1.95%	11,268,510	82,328	982,976	12,169,158
333	Services	40	0.0%	2.75%	55,861		5,186	61,047
334	Meter & Meter Installation	30	Varies	Varies	865,272	167,860	222,534	919,946
335	Hydrants	40	Varies	Varies	971,248	3,346	108,959	1,076,861
339	Other Plant & Misc. Equipment				0			0
340	Office Furniture and Equipment	15	10.0%	4.38%	142,849	2,856	9,269	149,263
341	Transportation Equipment	10	10.0%	6.61%	640,274	106,592	73,816	607,499
342	Stores Equipment				0			0
343	Tools, Shop & Garage Equipment	20	5.0%	4.82%	172,830	1,438	30,811	202,203
344	Laboratory Equipment	10	0.0%	2.55%	12,161		342	12,502
345	Power Operated Equipment	20	5.0%	0.93%	17,303		172	17,475
346	Communication Equipment	10	0.0%	Varies	229,097	10,889	46,807	265,014
347	Miscellaneous Equipment	6	5.0%	10.61%	2,485,102	130,174	405,661	2,760,589
348	Other Tangible Plant				1,368	0	0	1,368
	<b>Totals</b>				<b>23,541,683</b>	<b>542,466</b>	<b>2,367,038</b>	<b>25,366,255</b>

**WATER OPERATION AND MAINTENANCE EXPENSE**

ACCOUNT NAME	AMOUNT
Salaries and Wages - Employees	2,901,597
Employee Pensions and Benefits	1,080,133
Purchased Water	0
Purchased Power	1,200,168
Fuel for Power Production	0
Chemicals	78,671
Materials and Supplies (A)	23,825
Contractual Services	3,295,280
Rent	1,200
Transportation Expense	194,550
Insurance Expense	535,429
Regulatory Commission Expense	83,407
Bad Debt Expense	41,146
Miscellaneous Expense	345,318
<b>TOTAL</b>	<b>9,780,724</b>

(A) Includes \$(170,207) Administrative Expense Transferred.

**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 PAGE 10		

NAME OF RECIPIENT	AMOUNT	DESCRIPTION OF DATA
4G's Plumbing & Heating	99,602	Plumbing/mechanical services
Abatement Contractors of Montana, LLC	6,270	Abatement services
ADP	16,015	Payroll service
Advertiser Printing	10,247	Printing service
AWWA Research Foundation	10,732	Subscription to research
Bank of America	9,881	Service charge
Bitterroot Welding & Hydraulics	15,821	Welding & hydraulic services
Blackfoot Communications	18,083	Telemetry/phone line/internet services
Camp Well Drilling	59,079	Drilling & mechanical services
CBM Collections, Inc	9,880	Collection fees
DJ & A	19,970	Engineering Services
Dorsey & Whitney, LLP	12,000	Legal fees
Eli & Associates, Inc	7,684	Engineering Services
Embe Contracting, Inc.	134,029	Excavation work
Energy Labs, Inc.	20,322	Water testing
ESRI, Inc.	14,500	Maint agreement-software GIS
Garlington, Lohn & Robinson	39,165	Legal fees
GE Fanuc Automation	16,330	SCADA maintenance contract
Grizzly Fence	19,276	Fence repair services
Hughes, Kellner, Sullivan & Alke	50,376	Legal fees
Hydrometrics	24,185	Engineering services
Johnson Controls	5,170	Service work
Knife River	334,925	Excavation work
Kohl's Sprinkler and Backflow	8,521	Sprinkler repair/irrigation
LS Jensen & Sons, Inc.	457,090	Excavation work
Minuteman Aviation	14,175	Helicopter services
Miller Law Office, PLLC	15,022	Legal fees
Missoula City/County Health Dept.	15,345	Water testing
Missoula County Public Works	7,860	Aquifer testing
Missoula Textiles	19,593	Laundry service
Montana Conservation Corps	27,200	Dam repair & maintenance
Nature's Best	70,001	lawn/site maintenance
Navtrak	12,600	Vehicle tracking system
NiTel, Inc	14,424	T-1 Line
Paulson Electric	67,246	Electrical repairs
PBS&J	107,009	Engineering services
Peasley, Aldinger & O'Bymachow	93,027	Audit fees
Platinum Graphics	34,828	Mailing service
Poteet Construction, Inc.	26,193	Signage service
Power Engineers	9,058	Engineering services
Quality Maintenance Enterprises	13,728	Janitorial services
Continued - next page		



**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>			0	0	0		

**RESERVOIRS, STANDPIPES AND PURIFICATION SYSTEM**

Number of Reservoirs	<u>12</u>	Capacity in Gallons	<u>8,358,804</u>
Number of Standpipes	<u>12</u>	Capacity in Gallons	<u>1,675,000</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.
0	<u>14,954</u>	<u>249</u>	<u>5,923</u>	<u>232</u>	<u>440</u>	<u>32</u>	<u>236</u>	<u>118</u>	<u>41</u>	<u>1</u>
Meters										
	<u>15,288</u>	<u>798</u>	<u>979</u>	<u>337</u>	<u>355</u>	<u>63</u>	<u>28</u>	<u>4</u>	<u>4</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	13,607	5,030	18,637	13,867	4,821	18,688	51
Commercial	3,287	130	3,417	3,333	128	3,461	44
Industrial	1	0	1	1	0	1	0
Fire Hydrants	0	0	0	0	0	0	0
Governmental	65	40	105	63	38	101	(4)
All Other	591	588	1,179	593	595	1,188	9
<b>Total</b>	<b>17,551</b>	<b>5,788</b>	<b>23,339</b>	<b>17,857</b>	<b>5,582</b>	<b>23,439</b>	<b>100</b>

**TOTAL PUMPING STATION STATISTICS**

Total Amount of Water Obtained by all methods during the Year	<u>8,289,264,204</u>	gals. estimate
Maximum Water obtained all methods during any one day	<u>40,007,701</u>	gals. estimate
Minimum Amount of Water obtained all methods during one day	<u>15,880,068</u>	gals. estimate
Total Amount of Water passed through customers meters during year	<u>3,130,715,359</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	16,489		16,489			0	16,489
1"	251		251			0	251
1-1/2"	70		70			0	70
2"	44,185		44,185	232		232	43,953
3"	3,059		3,059			0	3,059
4"	28,451		28,451			0	28,451
5"	498		498			0	498
6"	730,189	101	730,290	7,349	20	7,369	722,921
8"	385,553	9,994	395,547			0	395,547
10"	164,318	3,117	167,435	822	170	992	166,443
12"	142,543	2,013	144,556	80		80	144,476
14"	21,133		21,133			0	21,133
16"	48,509		48,509			0	48,509
18"	720		720			0	720
20"	31,061		31,061			0	31,061
24"	53,610		53,610			0	53,610
30"	831		831			0	831
36"	925		925			0	925
<b>TOTAL</b>	<b>1,672,395</b>	<b>15,225</b>	<b>1,687,620</b>	<b>8,483</b>	<b>190</b>	<b>8,673</b>	<b>1,678,947</b>

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 M. Hiller  
Arvid Hiller, Vice Pres. & Gen. Manager

Subscribed and sworn to before me this 27<sup>th</sup> day of April, 2011.

Douglas R. Harrison  
Douglas R. Harrison

