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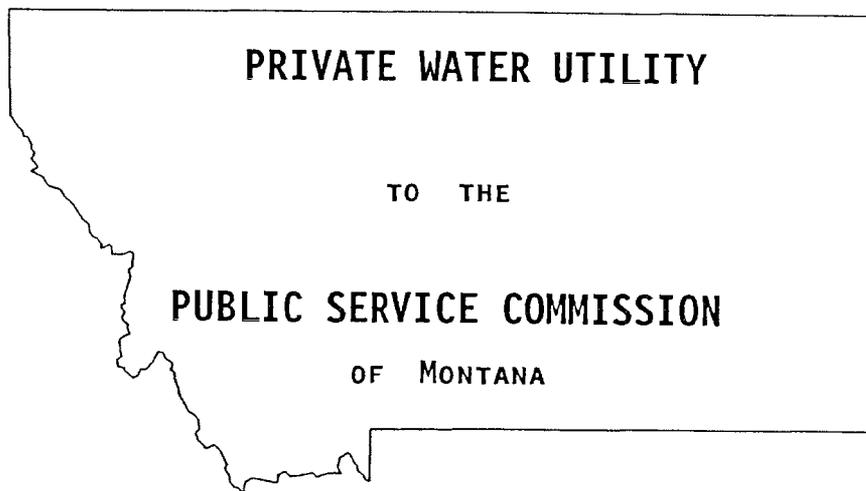
YEAR 2006

ANNUAL REPORT

OF THE

NAME Phantom Hills Water Company

LOCATION Missoula, Montana



FOR THE YEAR ENDING December 31, 2006

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

TABLE OF CONTENTS

SCHEDULE	PAGE	
Identification	2	
Income Statement	3	
Balance Sheet	4	
Contributions in Aid of Construction	5	
Accumulated Depreciation & Amortization of Utility Plant	5	
Capital Stock	6	
Retained Earnings	6	
Proprietary Capital	6	
Long Term Debt	6	
Water Utility Plant Accounts	7	
Analysis of Accumulated Depreciation by Primary Account	8	
Payments For Services Rendered By Other Than Employees	9	
Water Operation and Maintenance Expense	9	
Water Customers	10	
Operating Statistics	10	

REPORT OF

Phantom Hills Water Company
(Exact Name of Utility)

P.O. Box 16630

Missoula, MT 59808

(Address)

(City, State, Zip Code)

For Year Ended December 31, 2006

Date Utility First Organized 1-23-2004

Telephone Number 406-523-1600

Location where books and records are located 101 International Way

Contracts:			
Name	Title	Principal Business Address	Salary
J. Eisenmann Person to send correspondence:	Director Asset Mgmt	101 International Way Missoula, MT 59808	0 XXXXXXXX
J. Eisenmann Person who prepared this report:	Director Asset Mgmt	101 International Way Missoula, MT 59808	0 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	Percent Ownership in Utility	Principal Business Address	Salary Charged Utility
Dennis Washington	100%	101 International Way Missoula, MT 59808	\$ 0
			\$
			\$

INCOME STATEMENT

Account Name	Current Year	Previous Year
GROSS REVENUE:		
Metered		
Residential	19,335	11,368
Commercial	1,392	1,300
Industrial	0	0
Other	0	0
Unmetered		
Residential	0	0
Commerical	0	0
Industrial	0	0
Fire Protection	8,001	5,295
Bulk Sales	0	0
Sale of Materials	0	0
Other	0	0
TOTAL GROSS REVENUE	28,728	17,963
Operation and Maintenance Expense	30,785	28,796
Depreciation Expense	87,962	87,924
Taxes Other Than Income	0	0
Income Taxes	0	0
Deferred Federal Income Taxes	0	0
Deferred State Income Taxes	0	0
TOTAL OPERATING EXPENSE	118,747	116,720
NET OPERATING INCOME (LOSS)	(90,019)	(98,757)
Other Income:		
Non-Utility Income	0	0
Other Deductions:		
Non-Utility Expenses	0	0
Interest Expense	183,516	119,134
NET INCOME (LOSS)	(273,535)	(217,891)

COMPARATIVE BALANCE SHEET

ACCOUNT NAME	CURRENT YEAR	PREVIOUS YEAR
Assets:		
Utility Plant In Service	1,804,366	1,755,141
Accumulated Depreciation and Amortization	(222,648)	(134,686)
Net Utility Plant		
Cash	313	5,764
Customer Account Receivable	965	239
Other Assets (Specify)		
Prepaid Exp.	907	613
Total Assets	1,583,903	1,627,071
Liabilities an Capital:		
Common Stock Issued	1,000	1,000
Preferred Stock Issued	0	0
Other Paid In Capital	0	0
Retained Earnings	(620,116)	(346,581)
Proprietary Capital		
Total Capital		
Long Term Debt	2,174,600	1,950,600
Accounts Payable	28,419	22,052
Notes Payable	0	0
Customer Deposits	0	0
Accrued Taxes	0	0
Other Liabilities (Specify)	0	0
Advances for Construction	0	0
Contributions In Aid Of Construction	0	0
Total Liabilities and Capital	1,583,903	1,627,071

CAPITAL STOCK

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

RETAINED EARNINGS

	Appropriated	Unappropriated
Balance first of year	(346,581)	
Changes during year (Specify):		
2006 net loss	(273,535)	
Balance end of year	(620,116)	

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 \$2 million term 3/1/04-3/1/09 no collateral	PRIME +1%	INT ONLY	2,174,600
Total			2,174,600

WATER UTILITY PLANT ACCOUNTS

Acct No.	Account Name	Previous Year	Additions	Retirements	Current Year
301	Organization	0			0
302	Franchises	0			0
303	Land & Land Rights	11,577			11,577
304	Structures and Improvements	0			0
305	Collecting and Impounding Reservoirs	0			0
306	Lake River and Other Intakes	0			0
307	Wells and Springs	575,875			575,875
308	Infiltration Galleries and Tunnels	0			0
309	Supply Mains	0			0
310	Power Generation Equipment	0			0
311	Pumping Equipment	195,027			195,027
320	Water Treatment Equipment	0			0
330	Distribution Reservoirs and Standpipes	0			0
331	Transmission and Distribution Mains	629,383			629,383
333	Services	0			0
334	Meters and Meter Installations	23,783	2,049		25,832
335	Hydrants	63,264			63,264
339	Other Plant and Miscellaneous Equipment	246,366			246,366
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	9,866	47,176		57,042
	Total Water Plant	1,755,141	49,225		1,804,366

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%	1,496		1,158	2,654
305	Collecting & Impounding Reservoirs	0	0%	0%	0		0	0
306	Lake River & Other Inakes	0	0%	0%	0		0	0
307	Wells and Springs	20	0%	0%	46,673		28,794	75,467
308	Infiltrations Galleries & Tunnels	0	0%	0%	0		0	0
309	Supply Mains	0	0%	0%	0		0	0
310	Power Generating Equip.	0	0%	0%	0		0	0
311	Pumping Equipment	20	0%	0%	15,846		9,751	25,597
320	Water Treatment Equip.	0	0%	0%	0		0	0
330	Distribution Reservoirs & Standpipes	0	0%	0%	0		0	0
331	Trans. & Dist. Mains	20	0%	0%	45,795		31,469	77,264
333	Services	0	0%	0%	0		0	0
334	Meter & Meter Installation	20	0%	0%	1,638		1,308	2,946
335	Hydrants	20	0%	0%	3,220		3,164	6,384
339	Other Plant & Misc. Equip.	20	0%	0%	20,018		12,318	32,336
340	Office Furniture and Equipment	0	0%	0%	0			
341	Transportation Equip.	0	0%	0%	0			
342	Stores Equipment	0	0%	0%	0			
343	Tools, Shop & Garage Equipment	0	0%	0%	0			
344	Laboratory Equipment	0	0%	0%	0			
345	Power Operated Equipment	0	0%	0%	0			
346	Communication Equipment	0	0%	0%	0			
347	Miscellaneous Equipment	0	0%	0%	0			
348	Other Tangible Plant	0	0%	0%	0			
Totals					134,686		87,962	222,648

WATER OPERATION AND MAINTENANCE EXPENSE

ACCOUNT NAME	AMOUNT
Salaries and Wages - Employees	0
Salaries and Wages - Officers, Directors and Majority Stockholders	0
Employee Pensions and Benefits	0
Purchased Water	0
Purchased Power	6,466
Fuel For Power Production	0
Chemicals	0
Materials and Supplies	162
Contractual Services	20,005
Rents	0
Transportation Expense	0
Insurance Expense	2,852
Regulatory Commission Expense	0
Bad Debt Expense	0
Miscellaneous Expense	1,300
Total	30,785

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
Washington Corp.	13,198	Acct., Mgmt, Maint.& Meter reading
Professional Consult	5,487	Sampling & testing/systems operating
Doney, Crowley	1,252	Legal
Water Rights Inc.	28	Consultants
Anderson Zurmuehlen	40	Consultants
	20,005	

SOURCES OF WATER SUPPLY

Surface Water: River _____ Lake _____ Stream _____ Impounding Res. _____
 Ground Water: Springs No. _____ Shallow Wells No. _____ Deep Wells No. 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				0	0	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 CHLORINE INJECTION

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							
Commercial							
Industrial							
Fire Hydrants							
Governmental							
All Other							
Total							

TOTAL PUMPING STATION STATISTICS

Total Amount of Water Obtained by all methods during the Year 5,865,658.4 gals.
 Maximum Water obtained all methods during any one day 73,252.6 gals.
 Minimum Amount of Water obtained all methods during one day 0 gals.
 Total Amount of Water passed through customers meters during year _____ gals.
 Range of ordinary pressure on mains 50 lbs. to 50 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.

Johanna Resenman

Subscribed and sworn to before me this 29th day of May, ~~20~~ 2007.

Valisa Pancake Valisa Pancake

Expires: December 5, 2007

