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COMMISSION

YEAR 2003

ANNUAL REPORT

OF THE

NAME: MOUNTAIN WATER COMPANY - MISSOULA DIVISION

LOCATION: 1345 W. BROADWAY, MISSOULA, MONTANA 59802

PRIVATE WATER UTILITY

TO THE

PUBLIC SERVICE COMMISSION

OF MONTANA

FOR THE YEAR ENDING DECEMBER 31, 2003

FORM NO. 402-A(12/88)

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 — MISSOULA, MONTANA 59802
(Address) — *(City,State,Zip Code)*

For Year Ended: DECEMBER 31, 2003

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	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
CHAYRE M. WHEELER	SECRETARY	SAME AS ABOVE	Note A
LEIGH K. JORDAN	EXECUTIVE VICE PRESIDENT	SAME AS ABOVE	Note A
ARVID HILLER	VICE PRESIDENT	1345 W. BROADWAY MISSOULA, MT 59802	Note A
JOHN KAPPES	ASSISTANT VICE PRESIDENT	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

INCOME STATEMENT

Account Name	Current Year	Previous Year
GROSS REVENUE:		
Metered		
Residential	4,318,726	3,424,007
Commercial	3,157,012	2,719,844
Industrial	5,529	2,151
Other	1,211,731	966,214
Unmetered		
Residential	3,287,463	3,237,192
Commercial	169,154	158,280
Industrial		
Fire Protection	496,299	449,696
Bulk Sales		
Sale of Materials		
Other	819,775	981,180
TOTAL GROSS REVENUE	**13,465,689**	**11,938,564**
Operation and Maintenance Expense	7,238,306	7,033,473
Depreciation Expense	1,334,781	1,199,946
Taxes Other Than Income	997,761	946,638
Income Taxes (A)	1,486,766	808,905
Deferred Federal Income Taxes		
Amortized - Intangible Plant	40,258	122,853
Deferred State Income Taxes		
TOTAL OPERATING EXPENSE	**11,097,872**	**10,111,815**
NET OPERATING INCOME (LOSS)	**2,367,817**	**1,826,749**
Other Income:		
Investment Tax Credits		
Non-Operating Income		
Interest Income	241,147	247,118
Allow. Funds Used - Construct.	21,780	21,487
Other Deductions:		
Non-Utility Expenses	0	0
Interest Expense	0	0
Miscellaneous Deductions	45,826	71,751
NET INCOME (LOSS)	**2,584,918**	**2,023,603**

(A) Includes non-utility income tax expense.

COMPARATIVE BALANCE SHEET

ACCOUNT NAME	CURRENT YEAR	PREVIOUS YEAR
Assets:		
Utility Plant in Service (A)	57,460,009	53,195,134
Accumulated Depreciation and Amortization	(14,089,122)	(12,892,790)
Net Utility Plant	**43,370,887**	**40,302,344**
Cash	199,355	221,951
Customer Account Receivable	1,621,833	943,387
Other Assets (Specify)-		
Non-Utility Property		
Less Acc. Depreciation		
Utility Plant Acquisition Adjustment	505,475	543,215
Land Held For Future Use	615,537	568,042
Materials and Supplies	164,989	131,222
Misc. & Prepaids	132,212	72,453
Misc. Deferred Debits	19,725	94,858
Deferred Employee Benefits (B)	126,445	243,552
Regulatory Accounts (Net) (B)	576,065	363,079
Open Accounts	(7,882,677)	(9,090,481)
Total Assets	**39,449,846**	**34,394,622**
Liabilities and Capital:		
Common Stock Issued	6,940,578	6,940,578
Preferred Stock Issued	0	0
Other Paid in Capital	2,008,000	2,008,000
Retained Earnings	13,218,355	10,603,388
Proprietary Capital	0	0
Total Capital	**22,166,933**	**19,551,966**
Long Term Debt	0	0
Accounts Payable	505,145	575,729
Notes Payable	0	0
Customer Deposits	1,751	4,843
Accrued Taxes	291,823	2,649
Other Liabilities (Specify)		
Interest Accrued	0	0
Misc. Liabilities	387,570	434,889
Deferred Credits	875,174	333,799
Deferred Income Tax & ITC	5,021,440	4,388,537
Advances for Construction	8,359,064	7,437,900
Contributions in Aid of Construction	1,840,946	1,664,310
Total Liabilities and Capital	**39,449,846**	**34,394,622**

(A) Includes $489,339 and $270,918 of Construction in Progress for 2003 and 2002 respectively.

ACCUMULATED DEPRECIATION AND AMORTIZATION OF UTILITY PLANT

ACCOUNT 108	CURRENT YEAR	PREVIOUS YEAR
Balance First of Year	12,892,790	11,798,765
Credits During Year:		
Accruals Charged to Depreciation Account	1,334,781	1,199,946
Salvage	5,676	6,450
Other Credits - Contributions	38,330	38,311
Clearing Accounts	54,531	50,802
Adjustment for Linda Vista & Superior beginning balances	0	0
Intercompany transfer from Park Water Company		
Total Credits	**1,433,318**	**1,295,509**
Debits During Year:		
Book Cost of Plant Retired	233,785	185,038
Cost of Removal	3,201	16,446
Other Debits (Specify)		
Intercompany transfer to Park Water Company		
Total Debits	**236,986**	**201,484**
Balance End of Year	**14,089,122**	**12,892,790**

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
3103CP01--Conoco Main Extension	Property	207,996
3103CP02--Luella Lane	Cash	3,460
3103CP03--Lowe's Fire Hydrant	Cash	3,741
Total During Year		**215,197**

ACCUMULATED DEFERRED INCOME TAXES

Description	Total
Accumulated Deferred Income Taxes:	
Federal/State	1,545,835
Depreciation differences	3,475,605
Total Accumulated Deferred Income Taxes	**5,021,440**

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		10,603,388
Changes during year (Specify):		
Missoula 2003 Net Income		2,614,967
Balance end of year		13,218,355

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				
302	Franchises				
303	Land and Land Rights	946,575		2,518	944,057
304	Structures and Improvements	4,092,295	945,487	727,090	4,310,692
305	Collecting and Impounding Reservoirs	135,492			135,492
306	Lake, River and Other Intakes	0			0
307	Wells and Springs	281,740	747	22,103	260,384
308	Infiltration Galleries and Tunnels	0			0
309	Supply Mains	505,514			505,514
310	Power Generation Equipment	807,308	23,321	13,023	817,606
311	Pumping Equipment	2,680,670	119,655	11,096	2,789,229
320	Water Treatment Equipment	144,513	36,492		181,005
330	Distribution Reservoirs and Standpipes	3,589,491			3,589,491
331	Transmission and Distribution Mains	30,978,292	2,434,129	11,371	33,401,050
333	Services	146,621			146,621
334	Meters and Meter Installations	2,791,901	389,770	20,848	3,160,823
335	Hydrants	2,620,752	245,482	5,581	2,860,653
339	Other Plant and Miscellaneous Equipment	0			0
340	Office Furniture and Equipment	180,703	17,041	5,339	192,405
341	Transportation Equipment	624,142	122,861	12,079	734,924
342	Stores Equipment	0			0
343	Tools, Shop and Garage Equipment	270,860	19,805	4,377	286,288
344	Laboratory Equipment	4,371	6,473		10,844
345	Power Operated Equipment	26,098		7,556	18,542
346	Communication Equipment	237,894	54,228	41,020	251,102
347	Miscellaneous Equipment	1,852,985	552,516	37,552	2,367,949
348	Other Tangible Plant	6,000			6,000
	Construction Work in Progress	270,918	4,519,980	4,301,559	489,339
	TOTAL WATER PLANT	53,195,134	9,487,987	5,223,112	57,460,009

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				15,629		1,083	16,712
304	Structures & Improvements	VARIES	VARIES %	VARIES %	1,447,763	128,707	158,895	1,477,951
305	Collecting & Impounding Reservoirs	50	-5.0%	2.10%	17,399		2,845	20,244
306	Lake, River & Other Intakes							
307	Wells & Springs	40	-5.0%	2.64%	147,200	13,421	7,437	141,216
308	Infiltrations Galleries & Tunnels							
309	Supply Mains	50	-5.0%	2.22%	312,401		11,222	323,623
310	Power Generating Equipment	25	0.0%	3.71%	100,098		28,396	128,494
311	Pumping Equipment	25	VARIES %	VARIES %	1,055,483	12,651	101,989	1,144,821
320	Water Treatment Equipment	20	0.0%	2.45%	120,608		3,541	124,149
330	Distribution Reservoirs & Standpipes	40	0.0%	2.33%	1,412,938		83,635	1,496,573
331	Trans. & Dist. Mains	50	0.0%	1.97%	5,986,177	20,558	621,167	6,586,786
333	Services	40	0.0%	2.47%	29,143		3,621	32,764
334	Meter & Meter Installation	30	VARIES %	VARIES %	265,795	20,905	100,790	345,680
335	Hydrants	40	5.0%	2.45%	412,727	7,027	64,250	469,950
339	Other Plant & Misc. Equipment							
340	Office Furniture and Equipment	15	10.0%	8.83%	75,856	5,339	15,956	86,473
341	Transportation Equipment	10	10.0%	6.59%	407,909	12,079	45,981	441,811
342	Stores Equipment				0			0
343	Tools, Shop & Garage Equipment	20	5.0%	4.90%	73,306	7,044	13,272	79,534
344	Laboratory Equipment	10	0.0%	7.80%	3,491		4,456	7,947
345	Power Operated Equipment	20	5.0%	3.54%	18,544	2,585		15,959
346	Communication Equipment	10	0.0%	11.50%	141,138	41,020	27,358	127,476
347	Miscellaneous Equipment	6	5.0%	10.70%	848,317	37,960	209,092	1,019,449
348	Other Tangible Plant				868		642	1,510
	Totals				**12,892,790**	**309,296**	**1,505,628**	**14,089,122**

WATER OPERATION AND MAINTENANCE EXPENSE

ACCOUNT NAME	AMOUNT
Salaries and Wages - Employees	2,229,167
Employee Pensions and Benefits	637,597
Purchased Water	0
Purchased Power	956,031
Fuel for Power Production	0
Chemicals	43,286
Materials and Supplies	(46,666)
Contractual Services	2,357,088
Rent	1,200
Transportation Expense	192,223
Insurance Expense	499,118
Regulatory Commission Expense	29,000
Bad Debt Expense	40,384
Miscellaneous Expense	299,876
TOTAL	**7,238,306**

PAYMENTS FOR SERVICES RENDERED BY OTHER THAN EMPLOYEES

Report all information concerning rate, management, construction, advertising, labor relations, public relations, or other similiar 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 PAGES 10 AND 10A.		

NAME OF RECIPIENT	AMOUNT	DESCRIPTION OF DATA
4G's Plumbing & Heating	164,256	Excavation work
4G Electric, Inc.	44,202	Electrical work
ADP	9,719	Payroll service
Argus, Inc.	17,965	Security service
AWWA Research Foundation	8,362	Subscription to research
Bank of America	16,401	Service charge
Bitterroot Welding	7,939	Welding work
Brian's Auto	24,418	Service/repair vehicle fleet
Campwell Drilling	14,434	Crane service
DJ & A, P.C.	36,680	Engineering services
Economy Excavating	7,525	Excavation work
Eli & Associates, Inc.	36,740	Engineering services
Energy Labs, Inc.	19,184	Water testing
Embe Contracting, Inc.	1,131,888	Excavation work
Excavators, Inc.	40,756	Excavation work
Fletcher Excavation	196,393	Excavation work
Fire Protection Services, Inc.	27,788	sprinkler system install
Fulbright and Jaworski, L.L.P.	36,611	Legal fees
Garlington, Lohn & Robinson	22,883	Legal fees
Grizzly Fence	11,756	Install fencing
H&E Equipment Services	5,402	Equipment rental
High Country Excavation	17,471	Excavation work
Hill, Farrer, and Burrill	10,798	Legal fees
Hughes, Kellner, Sullivan & Alke	17,999	Legal fees
Human Performance Consultation, Inc.	9,833	Consulting service
JTL Group, Inc.	9,607	Excavation work
LS Jensen & Sons, Inc.	257,987	Excavation work
K & N Electrical Motors, Inc.	22,973	Service pump/motors
Kohler's Sprinkler & Backflow	7,369	Sprinker/backflow install service
Land & Water Consulting	66,146	Engineering services
Landworks Consulting & Design	35,214	Engineering services
Lloyd Twite Family Partnership	15,359	Excavation work
Maxim Technolgies	6,104	Engineering services
Mieir Business Forms	48,955	Mailing service
Minuteman Aviation, Inc.	11,522	Helicopter service
Missoula City/County Health Dept.	19,270	Water testing
Missoula Textiles	16,582	Laundry service
Montana Printing	12,308	Printing service
Morrison Maierle, Inc.	18,226	Engineering services
Mountain Removals	42,392	Lawn maintenance
N & E Ventures	12,752	Excavation work
Nelcon, Inc.	48,787	Excavation work
Otto's Towing and Crane	5,104	Crane service
Peasley, Aldinger & O'Bymachow	74,249	Audit fees
Power Engineers	307,187	Electrical engineer services
Price Construction	104,003	Construction
Professional Consulting, Inc.	82,323	Engineering services
Quality Maintenance	13,884	Office cleaning service
SC Wrights Insurance	410,780	Commercial insurance
SICC	83,528	Painting services
Spiker Communications, Inc.	18,714	Advertising
Sprint	23,615	Computer data link line
Tabco Contracting, Inc.	191,794	Excavation work
Territorial Engineering & Surveying	7,118	Engineering services
Tutskey Group	9,964	Advertising
US Bank	6,012	Service charge

NAME OF RECIPIENT	AMOUNT	DESCRIPTION OF DATA
Utilities Underground Location Center	8,185	Location requests
Western States Equipment Co.	31,357	Service generators
WGM Group	48,497	Engineering services
Ron Woods	8,536	Consulting service
Watson Wyatt	6,934	Consulting service
Workforce, Inc.	12,890	Temp employee services

SOURCES OF WATER SUPPLY

Surface Water: River = 0 Lake = 8 Stream = 1 Impounding Res. = 1
Ground Water: Springs No. = 0 Shallow Wells No. = 37 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							
TOTAL	1,354,650	26,912	1,381,562	0	39	39	1,381,523

RESERVOIRS, STANDPIPES AND PURIFICATION SYSTEM

Number of Reservoirs 10 Capacity in Gallons 7,445,000
Number of Standpipes 16 Capacity in Gallons 1,744,700
Method of Purification: Chlorination

SERVICES AND METERS

	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.
Services	0	14,586	249	4,428	226	377	28	156	65	31	2
Meters	0	11,002	552	706	196	241	41	24	8	1	2

NUMBER AND CLASSIFICATION OF CONSUMERS

Classification	Beginning of the year Metered	Unmetered	Total	Close of the year Metered	Unmetered	Total	Increase or Decrease
Residential	9,205	7,421	16,626	10,090	6,894	16,984	358
Commercial	2,588	177	2,765	2,751	168	2,919	154
Industrial	3	0	3	2	0	2	(1)
Fire Hydrants	0	1,028	1,028	0	1,052	1,052	24
Governmental	66	10	76	63	40	103	27
All Other	367	366	733	389	379	768	35
Total	12,229	9,002	21,231	13,295	8,533	21,828	597

TOTAL PUMPING STATION STATISTICS

Total Amount of Water Obtained by all methods during the Year 8,858,493,056 gals.
Maximum Water obtained all methods during any one day 46,424,669 gals.
Minimum Amount of Water obtained all methods during one day 16,389,169 gals.
Total Amount of Water passed through customers meters during year 3,252,569,877 gals.
Range of ordinary pressure on mains: 45 lbs. to 200 lbs.
Range of fire pressure in mains: 45 lbs. to 170 lbs.

SOURCES OF WATER SUPPLY

Surface Water: River = 0 Lake = 8 Stream = 1 Impounding Res. = 1
Ground Water: Springs No. = 0 Shallow Wells No. = 37 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
30"Wood							
30"Steel	17,075		17,075	0	0	0	17,075
1"	84		84	0	0	0	84
1-1/2"	455		455	0	0	0	455
2"	46,893		46,893	0	0	0	46,893
3"	5,700		5,700	0	0	0	5,700
4"	33,788		33,788	0	0	0	33,788
5"	571		571	0	0	0	571
6"	750,004		750,004	0	39	39	749,965
8"	197,186	18,292	215,478	0	0	0	215,478
10"	116,395	1,160	117,555	0	0	0	117,555
12"	86,809	614	87,423	0	0	0	87,423
14"	5,683		5,683	0	0	0	5,683
16"	26,245	1,850	28,095	0	0	0	28,095
20"	26,189	96	26,285	0	0	0	26,285
24"	41,573	4,900	46,473	0	0	0	46,473
TOTAL	1,354,650	26,912	1,381,562	0	39	39	1,381,523