



MOUNTAIN WATER COMPANY

P.O. Box 4826 - 1345 W. Broadway - Missoula, MT 59806 - Phone (406) 721-5570 - Fax (406) 523-5090 - www.mtnwater.com

ARVID M. HILLER

V.P. & General Manager

April 26, 2012

Ms. Kate Whitney
Regulatory Division
Montana Public Service Commission
1701 Prospect Avenue
Helena, Montana 59620

RE: 2011 PSC Annual Report for Mountain Water Company

Dear Ms. Whitney:

Mountain Water Company hereby transmits its annual PSC report relating to service in its Missoula Division serving Missoula, Montana for the year 2011.

Mountain can no longer provide to the Commission the employee salary information requested in the Identification Schedule. The Commission has declared, by administrative rule, that some of Mountain's employees no longer have the right to maintain the privacy of their salary information. ARM 38.2.5031. Mountain has been advised by its legal counsel that the existence of that administrative rule effectively prohibits Mountain from providing such information to the Commission on a voluntary basis, and that the Commission will need to institute proceedings to compel the disclosure of the requested salary information.

An employee of the Company responsible for answering questions concerning this report or for referring inquiries to the appropriate person is Arvid Hiller, vice-president and General Manager, Mountain Water Company, 1345 West Broadway, Missoula, Montana 59806, telephone (406) 721-5570.

MOUNTAIN WATER COMPANY

Arvid M. Hiller

Vice President and General Manager

Mr. John Alke, Esquire
Hughes, Kellner, Sullivan and Alke
40 W. Lawrence Suite A
P O Box 1166
Helena, Montana 59634-1166

YEAR 2011

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, 2011

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

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	
Water Operation and Maintenance Expense	9	
Payments for Services Rendered by Other Than Employees	10	
Water Customers	11	
Operating Statistics	11a	

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, 2011

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 (1) (2)	9750 WASHBURN ROAD P.O. BOX 7002 DOWNEY, CA 90241-7002	
NYRI A. WHEELER-LEWIS	SECRETARY (2)	SAME AS ABOVE	
LEIGH K. JORDAN	EXECUTIVE VICE PRESIDENT (2)	SAME AS ABOVE	
ARVID HILLER	VICE PRESIDENT & GENERAL MANAGER (2)	1345 W. BROADWAY MISSOULA, MT 59802	
JOHN KAPPES	CO - CEO (2)	1345 W. BROADWAY MISSOULA, MT 59802	

(1) Retired December 21, 2011

(2) Changes to company officers made Feb. 28, 2012; attached is an updated listing - for information only.

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
GROSS REVENUE:		
Metered		
Residential	6,894,912	6,054,010
Commercial	4,570,235	4,123,233
Industrial	0	0
Other	1,984,384	1,713,441
Unmetered		
Residential	2,750,739	2,690,296
Commercial	189,483	176,732
Industrial	0	0
Fire Protection	212,746	185,871
Bulk Sales	0	0
Sale of Materials	0	0
Other	887,620	1,100,362
TOTAL GROSS REVENUE	17,490,119	16,043,945
Operation and Maintenance Expense	10,016,476	9,780,724
Depreciation Expense	2,303,431	2,174,168
Taxes Other Than Income	1,387,103	1,311,755
Income Taxes (A)	1,639,825	1,476,185
Deferred Federal Income Taxes	0	0
Amortized - Intangible Plant	40,258	40,258
Deferred State Income Taxes	0	0
TOTAL OPERATING EXPENSE	15,387,093	14,783,090
NET OPERATING INCOME (LOSS)	2,103,026	1,260,855
Other Income:		
Investment Tax Credits	0	0
Non-Operating Income	(1,941)	0
Interest Income	368,647	488,601
Allow. Funds Used - Construct.	13,187	12,897
Other Deductions:		
Non-Utility Expenses	578	578
Interest Expense	2,429	6,825
Miscellaneous Deductions	130,930	27,893
NET INCOME (LOSS)	2,348,982	1,727,057

(A) Excludes \$(34,946) of non-utility income tax benefit.

COMPARATIVE BALANCE SHEET

ACCOUNT NAME	CURRENT YEAR	PREVIOUS YEAR
Assets:		
Utility Plant in Service (A), (B)	90,894,588	87,919,863
Accumulated Depreciation and Amortization	(27,401,047)	(25,366,255)
Net Utility Plant	63,493,541	62,553,608
Cash	64,150	104,632
Customer Account Receivable	812,327	821,180
Other Assets (Specify)-		
Non-Utility Property		
Less Acc. Depreciation		
Utility Plant Acquisition Adjustment	203,555	241,295
Land Held For Future Use	487,412	468,477
Materials and Supplies	461,583	409,140
Misc. & Prepaids	674,855	705,608
Misc. Deferred Debits	20,836	20,401
Deferred Employee Benefits	282,895	282,579
Regulatory Accounts	7,477,841	6,195,484
Open Accounts	1,689,945	(797,900)
Total Assets	75,668,940	71,004,504
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	29,976,006	27,627,024
Proprietary Capital		
Total Capital	38,924,584	36,575,602
Long Term Debt	204,000	270,000
Accounts Payable	345,242	572,817
Notes Payable	66,000	63,700
Customer Deposits	4,628	1,347
Accrued Taxes	521,299	538,646
Other Liabilities (Specify)		
Interest Accrued	6,429	10,727
Misc. Liabilities	481,982	573,740
Deferred Credits	5,118,188	3,888,407
Deferred Income Tax & ITC	9,631,602	8,178,703
Advances for Construction	17,599,849	17,502,130
Contributions in Aid of Construction	2,765,137	2,828,685
Total Liabilities and Capital	75,668,940	71,004,504
	(0)	
<p>(A) Includes \$493,523 and \$373,131 of Construction in Progress for 2011 and 2010 respectively.</p> <p>(B) Balance excludes Intangible Plant which is included in Miscellaneous and Prepaid category in the amount of \$25,499 and \$28,017 for 2011 and 2010 respectively.</p>		

ACCUMULATED DEPRECIATION AND AMORTIZATION OF UTILITY PLANT

ACCOUNT 108	CURRENT YEAR	PREVIOUS YEAR
Balance First of Year	25,366,255	23,541,683
Credits During Year:		
Accruals Charged to Depreciation Account	2,303,431	2,174,168
Salvage	7,471	18,750
Other Credits - Contributions	67,118	52,121
Other Credits-Corrections to accounts	0	43,025
Clearing Accounts	84,127	78,974
Total Credits	2,462,147	2,367,038
Debits During Year:		
Book Cost of Plant Retired	382,184	501,843
Cost of Removal	45,171	4,481
Other Debits (Specify)-Corrections to accounts	0	36,142
Total Debits	427,355	542,466
Balance End of Year	27,401,046	25,366,255

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
Relocate Hydrant #622 on Pattee Street	Property	3,100
Relocate Hydrant #622 on Pattee Street	Cash	470
Total During Year		3,570

ACCUMULATED DEFERRED INCOME TAXES

Description	
Accumulated Deferred Income Taxes:	\$ 9,631,602
Total Accumulated Deferred Income Taxes	\$ 9,631,602

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		27,627,024
Changes during year (Specify):		
2011 Net Income		2,348,982
Balance end of year		29,976,006

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	204,000
Total	N/A	0	204,000

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	1,206,362	8,085		1,214,447
304	Structures and Improvements	5,345,733	54,415	20,955	5,379,193
305	Collecting and Impounding Reservoirs	469,281		1,713	467,568
306	Lake, River and Other Intakes	0			0
307	Wells and Springs	336,119	8,340		344,459
308	Infiltration Galleries and Tunnels	0			0
309	Supply Mains	337,436	51,939		389,375
310	Power Generation Equipment	1,295,558	30,966	11,340	1,315,184
311	Pumping Equipment	3,909,282	227,222	33,299	4,103,205
320	Water Treatment Equipment	266,271	18,449	25,063	259,658
330	Distribution Reservoirs and Standpipes	5,406,258	36,688		5,442,946
331	Transmission and Distribution Mains	52,358,370	1,716,241	61,599	54,013,012
333	Services	188,575			188,575
334	Meters and Meter Installations	5,983,971	400,421	87,713	6,296,679
335	Hydrants	4,607,625	173,480	3,057	4,778,048
339	Other Plant and Miscellaneous Equipment	0			0
340	Office Furniture and Equipment	214,338	5,860	7,019	213,179
341	Transportation Equipment	929,996	71,715	44,097	957,614
342	Stores Equipment	0			0
343	Tools, Shop and Garage Equipment	546,041	36,155	7,102	575,094
344	Laboratory Equipment	13,398	440	792	13,046
345	Power Operated Equipment	18,542			18,542
346	Communication Equipment	439,523	17,845	5,323	452,045
347	Miscellaneous Equipment	3,674,055	378,257	73,112	3,979,200
348	Other Tangible Plant	0			0
	Construction Work in Progress	373,131	120,391		493,522
	TOTAL WATER PLANT	87,919,863	3,356,909	382,184	90,894,588

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	2,240,252	23,515	119,477	2,336,213
305	Collecting & Impounding Reservoirs	50	-5.0%	1.60%	253,437	34,526	7,509	226,420
306	Lake, River & Other Intakes				0	0		0
307	Wells & Springs	40	-5.0%	2.26%	201,784		7,816	209,600
308	Infiltrations Galleries & Tunnels				0			0
309	Supply Mains	50	-5.0%	2.47%	195,938		8,403	204,341
310	Power Generating Equipment	25	0.0%	4.10%	367,789	11,340	53,472	409,921
311	Pumping Equipment	25	varies	3.51%	1,777,886	33,299	130,700	1,875,287
320	Water Treatment Equipment	20	0.0%	4.72%	136,684	25,063	21,956	133,577
330	Distribution Reservoirs & Standpipes	40	0.0%	2.41%	1,913,356		130,832	2,044,188
331	Trans. & Dist. Mains	50	0.0%	1.94%	12,169,158	71,740	1,015,687	13,113,105
333	Services	40	0.0%	2.72%	61,047		5,148	66,195
334	Meter & Meter Installation	30	varies	varies	919,946	87,371	339,425	1,172,000
335	Hydrants	40	varies	2.43%	1,076,861	3,056	112,118	1,185,923
339	Other Plant & Misc. Equipment				0			0
340	Office Furniture and Equipment	15	10.0%	5.86%	149,263	7,019	12,003	154,247
341	Transportation Equipment	10	10.0%	6.20%	607,499	44,097	58,311	621,713
342	Stores Equipment				0			0
343	Tools, Shop & Garage Equipment	20	5.0%	4.74%	202,203	7,102	26,369	221,470
344	Laboratory Equipment	10	0.0%	1.94%	12,502	792	275	11,985
345	Power Operated Equipment	20	5.0%	0.33%	17,475		80	17,555
346	Communication Equipment	10	0.0%	8.86%	265,014	5,323	40,240	299,931
347	Miscellaneous Equipment	6	5.0%	13.17%	2,760,589	73,112	372,327	3,059,804
348	Other Tangible Plant				1,368	0	0	1,368
	Totals				25,366,255	427,355	2,462,147	27,401,047

WATER OPERATION AND MAINTENANCE EXPENSE

ACCOUNT NAME	AMOUNT
Salaries and Wages - Employees	2,967,569
Employee Pensions and Benefits	1,199,703
Purchased Water	0
Purchased Power	1,304,145
Fuel for Power Production	0
Chemicals	85,218
Materials and Supplies (A)	41,019
Contractual Services	3,251,650
Rent	1,200
Transportation Expense	226,275
Insurance Expense	527,764
Regulatory Commission Expense	28,340
Bad Debt Expense	24,842
Miscellaneous Expense	358,752
TOTAL	10,016,476

(A) Includes \$(162,211) 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.

[illegible]

NAME OF RECIPIENT	AMOUNT	DESCRIPTION OF DATA
4G's Plumbing & Heating	24,450.67	Plumbing/mechanical services
Abatement Contractors of Montana, LLC	6,661.00	Abatement services
ADP	15,456.27	Payroll service
Advertiser Printing	8,380.55	Printing service
AMEC Geomatrix, Inc	11,150.00	Engineering Services
Atkins	13,807.50	Engineering Services
AWWA Research Foundation	12,318.75	Subscription to research
Bank of America	9,873.48	Service charge
Bitterroot Welding & Hydraulics	18,964.25	Welding & hydraulic services
Blackfoot Communications	18,268.10	Telemetry/phone line/internet services
Black Knight Security and Investingation	5,052.00	Alarm/security service
CBM Collections, Inc	10,176.50	Collection fees
Energy Labs, Inc.	19,645.75	Water testing
Frontier West, LLC	20,450.00	Excavation work
Fussell Engineering Corporatoin	14,850.00	Engineering Services
Garlington, Lohn & Robinson	32,378.69	Legal fees
GE Fanuc Automation	8,340.89	SCADA maintenance contract
Gilbert Larson Engineering and Surveying	62,950.64	Engineering Services
Hughes, Kellner, Sullivan & Alke	116,916.15	Legal fees
Hydrometrics	16,012.61	Engineering services
Interstate Alarm	27,832.20	Alarm/security service
Johnson Controls	7,663.04	Service work
K & N Electric Motors Inc	9,279.07	Service work
Knife River	575,514.10	Excavation work
Kohlers Sprinkler and Backflow	10,450.00	Sprinkler repair/irrigation
Liquid Engineers Corp	6,183.80	Engineering Services
LS Jensen & Sons, Inc.	578,878.28	Excavation work
Minuteman Aviation	8,075.00	Helicopter services
Missoula City/County Health Dept.	13,761.00	Water testing
Missoula Textiles	20,127.96	Laundry service
Montana Aero, Inc.	13,320.00	Engineering Services
Montana Conservation Corps	20,000.00	Dam repair & maintenance
Morrison Maierle, Inc	8,877.29	Engineering Services
Nature's Best	89,457.38	lawn/site maintenance
Navtrak	13,076.84	Vehicle tracking system
NiTel, Inc	14,729.03	T-1 Line
Paulson Electric	103,732.25	Electrical repairs
Paymentus	7,372.05	Service charge
Peasley, Aldinger & O'Bymachow	55,848.01	Audit fees
Platinum Graphics	125,572.34	Mailing service
Poteet Construction, Inc.	47,754.75	Signage service
Power Engineers	204,390.00	Engineering services
Professional Consultants Inc	20,267.40	Engineering Services
Quality Maintenance Enterprises	15,646.80	Janitorial services
SC Wrights Insurance	393,075.00	Commercial insurance
Securitas Security Service	7,641.80	Alarm/security service
SICC	22,820.85	Painting services
Spiker Communications	26,013.00	Advertising Services

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							
TOTAL			0	0	0		

RESERVOIRS, STANDPIPES AND PURIFICATION SYSTEM

Number of Reservoirs	12	Capacity in Gallons	8,358,804
Number of Standpipes	12	Capacity in Gallons	1,675,000

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.
	<u>14,954</u>	<u>249</u>	<u>5,961</u>	<u>232</u>	<u>445</u>	<u>32</u>	<u>246</u>	<u>118</u>	<u>41</u>	<u>1</u>
Meters										
	<u>15,639</u>	<u>808</u>	<u>989</u>	<u>347</u>	<u>355</u>	<u>68</u>	<u>28</u>	<u>4</u>	<u>4</u>	<u>1</u>

NUMBER AND CLASSIFICATION OF CONSUMERS

18,243

Classification	Beginning of the year			Close of the year			Increase or (Decrease)
	Metered	Unmetered	Total	Metered	Unmetered	Total	
Residential rev code 11 & 91	13,867	4,821	18,688	14,185	4,537	18,722	34
Commercial 22 & 92	3,333	128	3,461	3,391	124	3,515	54
Industrial 33	1	0	1	0	1	1	0
Fire Hydrants 62	0	0	0	0	0	0	0
Governmental 45 & 94	63	38	101	62	32	94	(7)
All Other 70, 73, 52	593	595	1,188	605	534	1,139	(49)
(includes inactives 73)							
Total	17,857	5,582	23,439	18,243	5,228	23,471	32
***** no longer count hydrants as customers *****							

TOTAL PUMPING STATION STATISTICS

Total Amount of Water Obtained by all methods during the Year	<u>8,471,367,645</u>	gals. estimate
Maximum Water obtained all methods during any one day	<u>39,649,948</u>	gals. estimate
Minimum Amount of Water obtained all methods during one day	<u>17,052,082</u>	gals. estimate
Total Amount of Water passed through customers meters during year	<u>3,295,500,363</u>	gals.

Range of ordinary pressure on mains: 45 lbs. to 200 lbs.
 Range of fire pressure in mains: 45 lbs. to 170 lbs.

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 26th day of April, 2012.





