

e-FILING REPORT COVER SHEET

REPORT NAME: Annual Report Form C

COMPANY NAME: Illahe Estates Water System

DOES REPORT CONTAIN CONFIDENTIAL INFORMATION?  No  Yes

If yes, please submit only the cover letter electronically. Submit confidential information as directed OAR 860-001-0070 or the terms of an applicable protective order.

If known, please select designation:  RE (Electric)  RG (Gas)  RW (Water)  
 RO (Other)

Report is required by:  OAR Enter Rule number; e.g., 860-039-0070  
 Statute ORS 757.125 and 757.135  
 Order Enter Commission Order No.; e.g., 95-1335  
 Other Enter reason; e.g., at Request of Lee Sparling

Is this report associated with a specific docket/case?  No  Yes  
If Yes, enter docket number: Enter docket number; e.g.; UM 1484

Key words: 2011 Water Utility Annual Report C

If known, please select the PUC Section to which the report should be directed:

- Corporate Analysis and Water Regulation
- Economic and Policy Analysis
- Electric and Natural Gas Revenue Requirements
- Electric Rates and Planning
- Natural Gas Rates and Planning
- Utility Safety, Reliability & Security
- Administrative Hearings Division
- Consumer Services Section

**PLEASE NOTE: Do NOT use this form or e-filing with the PUC Filing Center for:**

- **Annual Fee Statement form and payment remittance or**
- **OUS or RSPF Surcharge form or surcharge remittance or**
- **Any other Telecommunications Reporting or**
- **Any daily safety or safety incident reports or**
- **Accident reports required by ORS 654.715.**

FOR THE YEAR ENDING DECEMBER 31, 2011

# **RESULTS OF OPERATIONS**

**FOR WATER UTILITIES REPORTING GROSS REVENUES OF  
UP TO \$199,999**

ANNUAL REPORT FORM C

## **Illahe Estates Water System**

23875 NE Dillon Rd. Newberg, OR 97132

PHONE #503-554-8333

OREGON PUBLIC UTILITY COMMISSION  
PO BOX 2148  
SALEM OR 97308-2148

**Illahé Estates Water System  
FOR THE YEAR ENDING DECEMBER 31, 2011**

1. Provide the following information for the contact person regarding this report.

Name: Silas Olson  
Address: 23875 NE Dillon Rd. Newberg, OR 97132  
Telephone: 503-537-4504  
Email Address: [silas@hilandwater.com](mailto:silas@hilandwater.com)  
Fax Number: 503-554-9215

2. List below the address where the utility's books and records are located:

Name: Hiland Water Corp.  
Address: 211 N. Meridian St. Suite 201 Newberg, OR 97132  
Telephone: 503-554-8333  
Email Address: N/A  
Fax Number: 503-554-9215

3. List below any audit group reviewing records and operations:

Name: N/A  
Address:  
Telephone:  
Email Address:  
Fax Number:

4. Date of original organization of the utility (month, day, year): October 1, 1997

5. List the names, titles, addresses, and telephone numbers of all Company officers and directors:

NAME	TITLE	ADDRESS	PHONE #	E MAIL
Melvin Olson	President	4054 N. Garden Dr. Newberg, OR 97132	503-312-9206	<a href="mailto:pipedoc.mel@gmail.com">pipedoc.mel@gmail.com</a>
Micah Olson	Vice President	745 NW 9th Street, Redmond, OR 97756	971-563-3128	<a href="mailto:micah@hilandwater.com">micah@hilandwater.com</a>
Marilyn Olson	Secretary	4054 N. Garden Dr. Newberg, OR 97132	503-554-8333	<a href="mailto:marilyn@hilandwater.com">marilyn@hilandwater.com</a>
Matthew Olson	Board Member	58995 Alexander, St. Helens, OR 97051	503-438-0471	<a href="mailto:matt@hilandwater.com">matt@hilandwater.com</a>
Elijah Olson	Board Member	58401 Lindsay Ln. Warren, OR 97053	503-740-9563	<a href="mailto:elijaholson@yahoo.com">elijaholson@yahoo.com</a>
Silas Olson	Board Member	3124 SW 2nd Ave. Portland, OR 97201	503-537-4504	<a href="mailto:silas@hilandwater.com">silas@hilandwater.com</a>
Seth Olson	Board Member	64089 N. Hwy 97, Bend, OR 97701	503-476-6857	<a href="mailto:sethoolson@gmail.com">sethoolson@gmail.com</a>
Zachary Olson	Board Member	23875 NE Dillon Rd. Newberg, OR 97132	503-487-7592	<a href="mailto:zach@hilandwater.com">zach@hilandwater.com</a>
Aaron Olson	Board Member	23875 NE Dillon Rd. Newberg, OR 97132	503-487-7591	<a href="mailto:aaron.olson90@gmail.com">aaron.olson90@gmail.com</a>

6. List legal counsel, accountants, and others not on general payroll:

NAME	TITLE	ADDRESS	PHONE #	E MAIL
Want & Emery CPA's Terry Emery	CPA	PO Box 1029 Newberg, OR 97132	503-538-5023	<a href="mailto:terry@wantcpa.com">terry@wantcpa.com</a>
Greene & Markley, Gary Blackledge	Legal Counsel	1515 SW Fifth Ave, Suite 600 Portland, OR 97201	503-295-2668	<a href="mailto:Gary.Blackledge@greenemarkley.com">Gary.Blackledge@greenemarkley.com</a>
Olson, LLC Micah & Christine Olson	Primary contractor	PO Box 1776 Redmond, OR 97756	971-563-3128	<a href="mailto:micah@olsonllc.com">micah@olsonllc.com</a>

**Ilaha Estates Water System  
FOR THE YEAR ENDING DECEMBER 31, 2011**

## **COMPANY PROFILE**

Provide a brief narrative that covers the following areas:

- a. Brief company history
- b. Public services rendered
- c. Major goals and objectives
- d. Major operating divisions and functions
- e. Current and projected growth patterns
- f. Major transactions having a material effect on operations

Hiland Water Corporation is a water and sewer utility that was incorporated in 1997. It owns and manages water systems (including the one in this report) and one sewer system in the State of Oregon. Services include water system maintenance, improvements, customer service, and all other aspects contained in owning and managing water systems.

In general, Hiland's goals are to provide good water/sewer service to residential and commercial properties at a reasonable price. Hiland strives to grow, provide jobs, and provide value to its stakeholders.

Hiland is a small, privately-owned utility, and has no major operating divisions. It is administered from a central office located in Newberg, OR, which serves to coordinate the crew in the field, communicate with customers and other entities, receive payments, complete billing, and execute other tasks as needed. There is also a crew (provided by Olson, LLC) that serves to address emergencies on site at water systems, complete sampling & meter reading, and perform any other projects or required maintenance in the field.

During 2011, Hiland enjoyed a significant growth in its customer base of roughly 40%, establishing a new service area in Otis, both in a management capacity (as PUC appointed regents at Rose Lodge) and in an ownership capacity (at Echo Mt./Riverbend water systems). This growth has been accompanied by water system deficiencies that will require significant resources to address during 2012. While we do not have expectations for significant growth during 2012 (outside of our ongoing work in Otis), we will not hesitate to evaluate growth opportunities. Projected growth patterns beyond 2012 are currently unestablished.

2012 includes completing the acquisition of Bear Creek and Boulder Creek water systems at Rose Lodge. At a company level, we expect our efforts at these systems to continue to affect our operations, but the service and rates at the water utility in this report will not be affected.

**Illaha Estates Water System  
FOR THE YEAR ENDING DECEMBER 31, 2011**

<b>ACCOUNTING METHOD: ACCRUAL</b>			
<b>ORGANIZATION</b>			
NAME OF COMPANY: Illaha Estates Water System		STREET ADDRESS: 23875 NE Dillon Rd.	
CITY: Newberg	STATE OR	ZIP CODE 97132	TELEPHONE NUMBER 503-554-8333
TYPE OF ORGANIZATION			
<p><b>CIRCLE (OR BOLD) ONE:</b>    SOLE PROPRIETORSHIP                  PARTNERSHIP                  CORPORATION</p> <p><b>CIRCLE (OR BOLD) ONE:</b>    PRIVATE/INVESTOR OWNED                  ASSOCIATION                  MOBILE HOME PARK</p>			
<p><b>INSTRUCTIONS:</b> IF THE COMPANY IS A SOLE PROPRIETORSHIP OR PARTNERSHIP, COMPLETE PART A AND GIVE THE NAMES AND ADDRESSES OF ALL PERSONS HAVING ANY INTEREST OR EQUITY IN THE BUSINESS AND THE AMOUNT OF SUCH EQUITY. IF THE COMPANY IS A CORPORATION, COMPLETE PART B AND GIVE THE NAMES AND ADDRESSES OF THE THREE LARGEST STOCKHOLDERS AND ALL OFFICERS AND DIRECTORS. STATE THE NUMBER OF SHARES HELD BY EACH.</p>			
<b>PART A: SOLE PROPRIETORSHIP OR PARTNERSHIP</b>			
1	NAME OF OWNER OR PARTNER		ADDRESS, CITY, STATE, ZIP CODE
	PERCENT INTEREST OR EQUITY		PRINCIPAL DUTY IF EMPLOYED BY COMPANY
2	NAME OF OWNER OR PARTNER		ADDRESS, CITY, STATE, ZIP CODE
	PERCENT INTEREST OR EQUITY		PRINCIPAL DUTY IF EMPLOYED BY COMPANY
3	NAME OF OWNER OR PARTNER		ADDRESS, CITY, STATE, ZIP CODE
	PERCENT INTEREST OR EQUITY		PRINCIPAL DUTY IF EMPLOYED BY COMPANY
4	NAME OF OWNER OR PARTNER		ADDRESS, CITY, STATE, ZIP CODE
	PERCENT INTEREST OR EQUITY		PRINCIPAL DUTY IF EMPLOYED BY COMPANY
<b>PART B: CORPORATION</b>			
1	NAME OF STOCKHOLDER, DIRECTOR, OFFICER Melvin Olson		ADDRESS, CITY, STATE, ZIP CODE 4054 N. Garden Drive, Newberg, OR 97132
	NUMBER OF SHARES OWNED: 15	TITLE President	
2	NAME OF STOCKHOLDER, DIRECTOR, OFFICER Micah Olson		ADDRESS, CITY, STATE, ZIP CODE 745 NW 9th Street, Redmond, OR 97756
	NUMBER OF SHARES OWNED: 10	TITLE Vice President	
3	NAME OF STOCKHOLDER, DIRECTOR, OFFICER Marilyn Olson		ADDRESS, CITY, STATE, ZIP CODE 4054 N. Garden Drive, Newberg, OR 97132
	NUMBER OF SHARES OWNED: 15	TITLE Secretary	
4	NAME OF STOCKHOLDER, DIRECTOR, OFFICER Matthew Olson		ADDRESS, CITY, STATE, ZIP CODE 58995 Alexandra, St. Helens, OR 97051
	NUMBER OF SHARES OWNED: 10	TITLE Board Member	
<b>NUMBER OF SHARES OUTSTANDING AT THE END OF YEAR</b>		<u>COMMON STOCK</u>	<u>PREFERRED STOCK</u>
PAR OR STATED VALUE PER SHARE		\$ -	\$ -
DIVIDENDS PER SHARE DECLARED DURING THE YEAR		\$ -	\$ -



**Illaha Estates Water System**  
**FOR THE YEAR ENDING DECEMBER 31, 2011**

<b>SCHEDULE 1</b> <b>ANNUAL WATER OPERATING REVENUE (WATER SALES ONLY)</b> (include all revenue received from the sale of water, including base and usage rates revenue)						
	Account	Account Name ( Water Sales Only)	Customer Count		Amount of Water Sold Indicate cubic feet (cf) or gallons (g)	Revenues
			Year Beginning	Year Ending		
		<b>Flat Rate Customers</b>				
1	460	Flat Rate Residential Revenues (separated)				
2	460	Flat Rate Other Revenues (separated)				
3		<b>Metered Customers</b>				
4	461.1	Metered Sales - Residential Customers	228	228	42,130,650	\$ 178,822.00
5	461.2	Metered Sales - Commercial Customers	3	3	1,237,670	\$ 11,816.00
6	461.3	Metered Sales - Industrial Customers				
7	461.4	Metered Sales - Public Authorities				
8	461.5	Metered Sales - Multiple Family Units				
9	461.6	Metered Sales - Multiple Commercial Units				
10	465.1	Sales to Irrigation Customers				
11	465.2	Sales to Golf Courses - Irrigation				
12		<b>TOTAL</b> <b>(add lines 1,2,4,5,6,7,8,9,10,11)</b>	231	231	43,368,320	\$ 190,638.00
13		<b>Fire Protection</b>				
14	462.1	Public Fire Protection				
15	462.2	Private Fire Protection				
16		<b>TOTAL FIRE PROTECTION</b> <b>(add lines 14, 15)</b>	0	0	0	\$ -
17		<b>Other Customers</b>				
18	464	Special Contracts to Public Authorities				
19	466	Sales for Resale				
20	467	Sales to Recreational Use				
21	468	Special Contracts - Other				
22		<b>TOTAL OTHER</b> <b>CUSTOMERS (Add lines 18, 19, 20</b> <b>&amp; 21 above)</b>	0	0	0	\$ -
23		<b>TOTALS (Add lines 12,</b> <b>16 &amp; 22 above)</b>	231	231	43,368,320	\$ 190,638.00

**Illahé Estates Water System  
FOR THE YEAR ENDING DECEMBER 31, 2011**

<b>AVERAGE MONTHLY BILL AND CONSUMPTION PER CUSTOMER</b>				
1	<b>FLAT RATE CUSTOMERS</b>	<b>CUSTOMER AVERAGE MONTHLY CONSUMPTION (Annual consumption divided by number of customers divided by 12 months)</b>		<b>AVERAGE CUSTOMER MONTHLY BILL (Revenue/No. of customers/12)</b>
2	Residential Flat - Master Meter		Circle (or Bold) One: cf or gals	
3	<b>METERED CUSTOMERS</b>	<b>CUSTOMER AVERAGE MONTHLY CONSUMPTION (Annual consumption divided by number of customers divided by 12 months)</b>		<b>AVERAGE CUSTOMER MONTHLY BILL (Revenue/No. of customers/12)</b>
4	Metered Sales - Residential Customers	15,399	Circle (or Bold) One: cf or gals	\$ 65.36
5	Metered Sales - Commercial Customers	34,380	Circle (or Bold) One: cf or gals	\$ 328.22
6	Metered Sales - Industrial Customers		Circle (or Bold) One: cf or gals	
7	Metered Sales - Public Authorities		Circle (or Bold) One: cf or gals	
8	Metered Sales - Multiple Family Units		Circle (or Bold) One: cf or gals	
9	Sales to Irrigation Customers		Circle (or Bold) One: cf or gals	
10	Sales to Golf Courses - Irrigation		Circle (or Bold) One: cf or gals	
11	Special Contracts to Public Authorities		Circle (or Bold) One: cf or gals	
12	Sales for Resale		Circle (or Bold) One: cf or gals	
13	Special Contracts - Recreational		Circle (or Bold) One: cf or gals	
14	Special Contracts - Other		Circle (or Bold) One: cf or gals	

<b>SCHEDULE 2 - REVENUE OTHER THAN WATER SALES (IF ANY)</b>				
15	470	Forfeited discounts		
16	471	Miscellaneous service revenues		\$ 504.00
17	472	Rents from water property		
18	473	Interdepartmental rents		
19	475	Cross Connection sales & services revenues		
20		Other		
21		<b>TOTAL OTHER REVENUE</b>		<b>\$ 504.00</b>

<b>SCHEDULE 3 - TAXES - Federal, State &amp; Utility Property</b>			
22	TO WHOM PAID	KIND OF TAX	AMOUNT
23	FEDERAL GOVERNMENT	INCOME TAX	\$2,541.00
24	STATE GOVERNMENT	INCOME TAX	\$1,076.00
25	CITY	FRANCHISE FEE	
26	COUNTY	PROPERTY TAX	\$4,251.00
27	DEFERRED TAXES	DEFERRED TAX	
28	OTHER – SPECIFY		
29		<b>TOTAL</b>	<b>\$ 7,868.00</b>



**Illaha Estates Water System**  
**FOR THE YEAR ENDING DECEMBER 31, 2011**

<b>SCHEDULE 4 – CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC) OR DONATED</b>							
<b>#</b>	<b>CLASSES OF FIXED DONATED OR CIAC CAPITAL (Please specify)</b>	<b>BALANCE AT BEGINNING OF YEAR (1)</b>	<b>ADDITIONS DURING YEAR (2)</b>	<b>RETIRED DURING YEAR (3)</b>	<b>BALANCE AT END OF YEAR (4)</b>	<b>SERVICE LIFE (5)</b>	<b>ANNUAL DEPRECIATION EXPENSES (6)</b>
1	Water Lines	\$ 195,429.00			\$ 195,429.00	50	\$ 3,909.00
2	Sewer Lines	\$ 192,793.00			\$ 192,793.00	50	\$ 3,856.00
3					\$ -		
4					\$ -		
5					\$ -		
6					\$ -		
7					\$ -		
8					\$ -		
9					\$ -		
10	TOTAL CIAC UTILITY PLANT (Total of Lines 1-9)	\$ 388,222.00	\$ -	\$ -	\$ 388,222.00		\$ 7,765.00
11	Less CIAC Accumulated Depreciation						
12	NET CIAC UTILITY PLANT	\$ 388,222.00	\$ -	\$ -	\$ 388,222.00		\$ 7,765.00

<b>SCHEDULE 5 - CIAC DEPRECIATION RESERVE OR ACCUMULATED</b>		
<b>#</b>	<b>ITEMS</b>	<b>AMOUNT</b>
13	ACCUMULATED CIAC DEPRECIATION BALANCE IN RESERVE AT BEGINNING OF YEAR (Schedule 4, line 11, Column 1)	\$ 48,655.00
14	<b>ADD:</b> CIAC DEPRECIATION EXPENSE ACCRUAL (Schedule 4, line 10, Column 6)	\$ 7,765.00
15	CIAC UTILITY PLANT SALVAGE	
16	CIAC OTHER (SPECIFY)	
17	<b>MINUS</b> BOOK COST OF CIAC UTILITY PLANT RETIRED	
18	COST OF REMOVING RETIRED CIAC PLANT	
19	OTHER (SPECIFY)	
20	ACCUMULATED DEPRECIATION CIAC BALANCE IN RESERVE AT END OF YEAR	\$ 56,420.00
EXPLANATION OF UNUSUAL CHANGES IN CIAC DEPRECIATION RESERVE:		

**Ilwaco Estates Water System**  
**FOR THE YEAR ENDING DECEMBER 31, 2011**

<b>SCHEDULE 6 - UTILITY PLANT AND DEPRECIATION DETAILS</b>							
	<b>CLASSES OF FIXED CAPITAL</b>	<b>TOTAL UTILITY PLANT IN SERVICE (1)</b>	<b>ADDED DURING YEAR (2)</b>	<b>RETIRED DURING YEAR (3)</b>	<b>END OF YEAR BALANCE (4)</b>	<b>SERVICE LIFE (5)</b>	<b>ANNUAL DEPRECIATION EXPENSE (6)</b>
1	INTANGIBLE CAPITAL	\$ -			\$ -		
2	SOURCE OF SUPPLY LAND	\$ 6,672.00			\$ 6,672.00		
3	WATER RIGHTS, EASEMENTS	\$ 1,916.00			\$ 1,916.00		
4	OTHER LAND	\$ -			\$ -		
5	WATER SUPPLY STRUCTURES (INC WELLS)	\$ 645,474.00			\$ 645,474.00	Various	\$ 14,741.00
6	OTHER STRUCTURES	\$ 13,680.00	\$ 16,512.00		\$ 30,192.00	Various	\$ 650.00
7	PUMPING EQUIP	\$ 71,902.00			\$ 71,902.00	Various	\$ 2,263.00
8	PURIFICATION SYSTEM	\$ 68,042.00			\$ 68,042.00	Various	\$ 2,021.00
9	RESERVOIRS & STANDPIPES	\$ 247,519.00			\$ 247,519.00	45	\$ 5,500.00
10	WATER MAINS & CANALS	\$ -			\$ -		
11	SERVICES	\$ -			\$ -		
12	CONSUMERS' METERS	\$ -			\$ -		
13	HYDRANTS	\$ 5,664.00			\$ 5,664.00	50	\$ 113.00
14	TRANSPORTATION EQUIP	\$ -			\$ -		
15	OFFICE FURNITURE	\$ -			\$ -		
16	TOOLS & SHOP EQUIP	\$ -			\$ -		
17	ELECTRONIC EQUIP	\$ -			\$ -		
18	COMMUNICATION EQUIP	\$ -			\$ -		
19	GENERAL EQUIP	\$ 10,671.00			\$ 10,671.00	Various	\$ 322.00
20	OTHER PLANT	\$ -			\$ -		
21	UNDISTRIBUTED FIXED CAPITAL	\$ -			\$ -		
22	PLANT ACQUISITION ADJUSTMENTS	\$ -			\$ -		
23	<b>TOTAL PLANT IN SERVICE (Add Lines 1 - 23)</b>	\$ 1,071,540.00	\$ 16,512.00	\$ -	\$ 1,088,052.00		\$ 25,610.00
24	UTILITY PLANT LEASED TO OTHERS						
25	ALL OTHER UTILITY PLANT INCREASE ADJUSTMENTS						
26	<b>TOTAL PLANT (Add lines 23, 24, 25 above)</b>	\$ 1,071,540.00	\$ 16,512.00	\$ -	\$ 1,088,052.00		
<b>EXPLANATION OF UNUSUAL CHANGES IN UTILITY PLANT DURING THE YEAR:</b>							

**Illaha Estates Water System**  
**FOR THE YEAR ENDING DECEMBER 31, 2011**

<b>SCHEDULE 7 - DEPRECIATION RESERVE OR ACCUMULATED DEPRECIATION</b>		
<b>#</b>	<b>ITEMS</b>	<b>AMOUNT</b>
1	<b>ACCUMULATED BALANCE IN RESERVE AT BEGINNING OF YEAR</b>	\$ 532,600.00
2	<b>ADD :</b> DEPRECIATION EXPENSE	\$ 25,610.00
3	AMORTIZATION EXPENSE	
4	UTILITY PLANT SALVAGE	
5	OTHER (SPECIFY)	
6	<b>MINUS:</b> BOOK COST OF UTILITY PLANT RETIRED	
7	COST OF REMOVING RETIRED PLANT	
8	OTHER (SPECIFY)	
9	<b>ACCUMULATED BALANCE IN RESERVE AT END OF YEAR</b>	\$ 558,210.00
<b>EXPLANATION OF UNUSUAL CHANGES IN DEPRECIATION RESERVE:</b>		

**Illaha Estates Water System  
FOR THE YEAR ENDING DECEMBER 31, 2011**

<b>DETAILED CALCULATION OF ACHIEVED RATE OF RETURN WORKSHEET</b>				
<b>Revenues</b>				
	<b>REVENUES AND EXPENSES (whole \$'s only)</b>			<b>AMOUNT (List each expense separately)</b>
<b>#</b>	<b>ACCT</b>		<b>SHOULD BE THE SAME AS OR EMBEDDED IN:</b>	
		TOTAL WATER SALES ONLY REVENUE	Pg 3, Line 23	\$ 190,638.00
<b>WATER UTILITY EXPENSE DETAIL (separate costs by account)</b>				
1	601	Employee salaries and wages	Pg 10, Line 21	
2	603	Officer salaries & wages	Pg 10, Line 21	
3	604	Employee pension & benefit	Pg 10, Line 21	
4	610	Purchased water	Pg 10, Line 12	
5	611	Telephone & communications	Pg 10, Line 22	\$ 1,885.00
6	615	Power purchased	Pg 10, Line 13	\$ 13,318.00
7	616	Fuel for power production	Pg 10, Line 22	
8	617	Other Utilities (garbage, natural gas)	Pg 10, Line 22	
9	618/ 635	Chemicals/testing & contract test services	Pg 10, Line 14	\$ 7,908.00
10	619	Offices supplies (619.1 postage)	Pg 10, Line 15	\$ 1,569.00
11	620	Materials & supplies (operation & maint)	Pg 10, Line 16	\$ 19,869.00
12	621	Repairs of water plant	Pg 10, Line 17	
13	631	Contract services – Engineering	Pg 10, Line 18	\$ -
14	632	Contract services – Accounting	Pg 10, Line 18	\$ 956.00
15	633	Contract services – Legal	Pg 10, Line 18	
16	634	Contract services – Management	Pg 10, Line 18	\$ 17,239.00
17	636	Contract services – Labor	Pg 10, Line 18	\$ 29,345.00
18	637	Contract services – Billing/Collection	Pg 10, Line 18	\$ 1,735.00
19	638	Contract services – Meter Reading	Pg 10, Line 18	\$ 1,392.00
20	639	Contract services – Other	Pg 10, Line 18	\$ 6,658.00
21	641/ 642	Rental-building (real property) & equipment	Pg 10, Line 19	\$ 4,616.00
22	643	Small tools	Pg 10, Line 22	
23	648	Computer/electronic expense	Pg 10, Line 22	\$ 753.00
24	650/ 656	Transportation expenses & vehicle insurance	Pg 10, Line 20	\$ 2,676.00
25	657	Insurance - general liability	Pg 10, Line 22	\$ 153.00
26	658	Insurance – worker's compensation	Pg 10, Line 22	
27	659	Insurance - other	Pg 10, Line 22	\$ 497.00
28	660	Public relations/advertising expense	Pg 10, Line 22	
29	666	Amortization of rate case expense	Pg 10, Line 22	
30	667	PUC Gross Revenue Fee	Pg 10, Line 22	\$ 476.00
31	668	Water resource conservation expense	Pg 10, Line 22	
32	670	Bad debt expense	Pg 10, Line 29	
33	671.1	Cross connection control program expense	Pg 10, Line 22	
34	671.2	Cross connection testing & maint services	Pg 10, Line 22	
35	672	Other Utilities (garbage, natural gas)	Pg 10, Line 22	
36	673	Training & certification expense	Pg 10, Line 22	\$ 177.00
37	674	Consumer confidence report expense	Pg 10, Line 22	
38	675	Miscellaneous expense	Pg 10, Line 22	\$ 1,545.00
39	401	<b>TOTAL OPERATING EXPENSE</b>		\$ 112,767.00

**Illahe Estates Water System**  
**FOR THE YEAR ENDING DECEMBER 31, 2011**

<b>CALCULATION OF ACHIEVED RATE OF RETURN WORKSHEET - CONTINUED</b>				
<b>OTHER DEDUCTIONS</b>				
40	403	Depreciation expense	Pg 10, Line 24	\$ 25,610.00
41	407	Amortization expense	Pg 10, Line 25	\$ -
42	408	Taxes other than income expenses(1)	Pg 10, Line 26	\$ 4,251.00
43	409	Income Taxes (add state & federal taxes together)(1)	Pg 10, Line 27	\$ 3,617.00
44	410	Provision for Deferred Income Taxes (add state & federal taxes together)(1)	Pg 10, Line 28	
45	411	Provision for Deferred Income Taxes - Credit (add state & federal taxes together)(1)	Pg 10, Line 28	
46		Total Deductions (pg 8, line 39 plus Lines 40 through 45)	Pg 10, Line 30	\$ 146,245.00
47		UTILITY OPERATING INCOME (Revenue pg 3, line 23, minus Deductions line 46 above)	Pg 11, Line 31	\$ 44,393.00
<b>UTILITY PLANT</b>				
48	101	Utility plant in service (NO CIAC)	Schedule 6, Line 26 Column 4	\$ 1,088,052.00
49	108/ 110	Minus accumulated depreciation and/or amortization	Schedule 7, Line 9	\$ 558,210.00
50	252	Minus advances for construction	Pg 12, Line 26, Column 2	
51		<b>Subtotal</b>		\$ 529,842.00
52	105	Add construction work in progress (CWIP)(2)		
53	103	Add plant held for future use		
54	151	Add inventory - materials & supplies	Pg 12, Line 11, Column 2	
55		<b>Subtotal</b>		
56	114	Add acquisition adjustments (2)	Schedule 6, Line 23, Column 2	\$ -
57	115	Minus accumulated amortization of acquisition adj. (2)		
58	190	Minus accumulated deferred income tax		
59				
60		<b>TOTAL RATE BASE</b> (Utility plant in service +/- adjustments)		\$ 529,842.00
61	400	UTILITY OPERATING INCOME	Line 47 Above (should match Income Statement, Pg 10, line 30, Column 2)	\$ 44,393.00
62		<b>ACHIEVED RATE OF RETURN</b> (percentage) (Line 47 divided by line 60)		8.38%

(1) Estimated if not known. (2) Include only those acquisition adjustments that have been approved by the Commission

**Illahe Estates Water System**  
**FOR THE YEAR ENDING DECEMBER 31, 2011**

<b>INCOME STATEMENT</b>			
#	OPERATING REVENUES	PREVIOUS YEAR (1)	YEAR REPORTED (2)
1	FLAT RATE (UNMETERED) RESIDENTIAL WATER REVENUE (ACCT 460, Pg 3, Line 1)	\$ -	\$ -
2	FLAT RATE (UNMETERED) OTHER THAN RESIDENTIAL SALES (ACCT 460 Pg 3, Line 2)	\$ -	\$ -
3	RESIDENTIAL ( METERED) WATER SALES (ACCT 461.1, Pg 3, Line 4)	\$ 188,314.00	\$ 178,822.00
4	COMMERCIAL/INDUSTRIAL (METERED) WATER SALES (ACCT 461.2 & 461.3, Pg 3, Lines 5 & 6)	\$ -	\$ 11,816.00
5	METERED SALES TO PUBLIC AUTHORITIES (ACCT 461.4, Pg 3, Line 7)	\$ -	\$ -
6	MULTIPLE FAMILY & COMMERCIAL UNITS (METERED) WATER SALES (ACCT 461.5 & 461.6, Pg 3, Lines 8 & 9)	\$ -	\$ -
7	FIRE PROTECTION (PUBLIC & PRIVATE) (ACCT 462.1 & 462.2, Pg 3, Line 16)	\$ -	\$ -
8	IRRIGATION WATER SALES INC GOLF COURSES (ACCT 465.1 & 465.2, Pg 3, Lines 10 & 11)	\$ -	\$ -
9	OTHER WATER SALES (ACCT's 464, 466, 467 & 468, Pg 3, Line 22, sales for resale, other public authorities, or other)	\$ -	\$ -
10	<b>TOTAL OPERATING REVENUES (Add lines 1 – 9)</b>	<b>\$ 188,314.00</b>	<b>\$ 190,638.00</b>
11	<b>OPERATING EXPENSES AND DEDUCTIONS</b>		
12	PURCHASED WATER (ACCT 610, Pg 8, Line 4)	\$ -	\$ -
13	POWER EXPENSE (ACCT 615, Pg 8, Line 6)	\$ 13,112.00	\$ 13,318.00
14	TREATMENT, PURIFICATION, TESTING EXPENSE (ACCTS 618 & 635, Pg 8, Line 9)	\$ 7,900.00	\$ 7,908.00
15	OFFICE EXPENSE, Including POSTAGE) (ACCT 619, Pg 8, Line 10)	\$ 1,896.00	\$ 1,569.00
16	O & M – MATERIAL & SUPPLIES EXPENSE (ACCT 620, Pg 8, Line 11)	\$ 12,779.00	\$ 19,869.00
17	REPAIRS TO PLANT (ACCT 621, Pg 8, Line 12)	\$ -	\$ -
18	CONTRACT SERVICES (Engineering, accounting, legal, management, labor, meter reading, billing/collection) (ACCTS 631- 634 & 636- 639, Pg 8, Lines 13 to 20)	\$ 64,217.00	\$ 57,325.00
19	RENTAL OF BUILDING OR EQUIPMENT (ACCTS 641 & 642, Pg 8, Line 21)	\$ 3,589.00	\$ 4,616.00
20	TRANSPORTATION EXPENSES (ACCTS 650 & 656, Pg 8, Line 24)	\$ 4,128.00	\$ 2,676.00
21	SALARIES, WAGES, & BENEFITS – EMPLOYEES & OFFICERS (ACCT 601, 603 & 604, Pg 8, Lines 1, 2 & 3)	\$ -	\$ -
22	<b>TOTAL - REMAINING EXPENSES (found on Pg. 8) Line/Acct # : Line 5( 611), 7(616), 8(617), 22(643), 23(648), 25(657), 26(658), 27(659), 28(660), 29(666), 30(667), 31(668), 33(671.1), 34(671.2), 35(672), 36(673), 37(674), 38(675)</b>	<b>\$ 7,576.00</b>	<b>\$ 5,486.00</b>
23	<b>TOTAL OPERATING &amp; MAINTENANCE EXPENSE (Add lines 12-22)</b>	<b>\$ 115,197.00</b>	<b>\$ 112,767.00</b>
24	DEPRECIATION EXPENSE (ACCT 403, Pg 9, Line 40)	\$ 25,581.00	\$ 25,610.00
25	AMORTIZATION EXPENSE (ACCT 407, Pg 9, Line 41)	\$ -	\$ -
26	NON-INCOME TAXES (ACCT 408, Pg 9, Line 42)	\$ 4,168.00	\$ 4,251.00
27	INCOME TAXES (ACCT 409, Pg 9, Line 43)	\$ 6,044.00	\$ 3,617.00
28	DEFERRED INCOME TAX (ACCT 410 & 411, Pg 9, Lines 44 & 45)	\$ -	\$ -
29	UNCOLLECTIBLE OPERATING REVENUE (BAD DEBT EXP) (ACCT 670, pg 8, line 32)	\$ -	\$ -
30	<b>TOTAL REVENUE DEDUCTIONS (Should equal pg 9, line 46) Add lines 23-29 above</b>	<b>\$ 150,990.00</b>	<b>\$ 146,245.00</b>

**Illahe Estates Water System  
FOR THE YEAR ENDING DECEMBER 31, 2011**

31	<b>OPERATING INCOME (Should equal Pg 9, Line 47)</b> Line 10 (Revenues) minus line 30 (Revenue Deductions) above	\$ 37,324.00	\$ 44,393.00
32	INCOME OTHER THAN WATER SALES (TOTAL OTHER REVENUE, Pg 4, Line 21)	\$ 634.00	\$ 504.00
33	INTEREST CHARGES PAID (ACCT 427)	\$ 25,869.00	\$ 30,056.00
34	ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION		
35	OTHER INCOME DEDUCTIONS		
36	<b>NET INCOME</b> Add Lines 31 & 32 minus Lines 33 – 35 above	\$ 12,089.00	\$ 14,841.00

<b>STATEMENT OF RETAINED EARNINGS</b>			
DIVIDENDS SHOULD BE SHOWN FOR EACH CLASS AND SERIES OF CAPITAL STOCK. SHOW AMOUNTS OF DIVIDENDS PER SHARE. SHOW SEPARATELY THE STATE AND FEDERAL INCOME TAX EFFECT OF ITEMS SHOWN IN ACCOUNT 439.			
1	ACCT. NO.	ACCOUNT NAME	AMOUNT
2	215	UNAPPROPRIATED RETAINED EARNINGS (Balance at the beginning of year)	\$ 59,931.00
3		CREDITS:	
4		DEBITS:	
5	435	BALANCE TRANSFER FROM INCOME (Net Income)	\$ 14,841.00
6	436	APPROPRIATIONS OF RETAINED EARNINGS	
7		<b>SUBTOTAL (Add lines 2, 3 &amp; 5 Subtract lines 4 &amp; 6)</b>	\$ 74,772.00
8		DIVIDENDS DECLARED:	
9	437	PREFERRED STOCK DIVIDENDS DECLARED	
10	438	COMMON STOCK DIVIDENDS DECLARED	
11	439	CHANGES TO ACCOUNT: ADJUSTMENTS TO RETAINED EARNINGS	
12		<b>TOTAL DIVIDENDS DECLARED (Add lines 8-11)</b>	\$ -
13		<b>BALANCE AT END OF YEAR (Line 7 minus Line 12)</b>	\$ 74,772.00

<b>APPROPRIATED RETAINED EARNINGS</b>			AMOUNT
14	214	STATE BALANCE & PURPOSE OF EACH APPROPRIATED AMOUNT AT YEAR END	
15			
16			
18			
19			
21			
22		<b>TOTAL APPROPRIATED RETAINED EARNINGS</b>	\$ -

**Illaha Estates Water System**  
**FOR THE YEAR ENDING DECEMBER 31, 2011**

<b>BALANCE SHEET</b>			
<b>#</b>	<b>ASSETS &amp; OTHER DEBITS</b>	<b>BALANCE AT BEGINNING OF YEAR (Col 1)</b>	<b>BALANCE AT END OF YEAR (Col 2)</b>
1	UTILITY PLANT (SCHEDULE 6, LINE 26, COLUMNS 1 & 4)	\$ 1,071,540.00	\$ 1,088,052.00
2	ACCUM DEPRECIATION & AMORTIZATION OF UTILITY PLANT (SCHEDULE 7, LINES 1 & 9)	\$ (532,600.00)	\$ (558,210.00)
3	DONATED/CONTRIBUTED (CIAC) UTILITY PLANT (SCHEDULE 4, LINE 12, COLUMNS 1 & 4)	\$ 388,222.00	\$ 388,222.00
4	ACCUMULATED DEPRECIATION AND AMORTIZATION OF DONATED OR CONTRIBUTED (CIAC) UTILITY PLANT (SCHEDULE 5, Lines 13 & 20)	\$ (48,655.00)	\$ (56,420.00)
5	NONUTILITY PROPERTY (ACCT 121)		
6	INVESTMENT IN ASSOCIATED COMPANIES (ACCT 123)		
7	UTILITY INVESTMENTS NONASSOCIATED COMPANIES USED IN WTR SERV (ACCT 124)		
8	OTHER INVESTMENTS NONASSOCIATED COMPANIES (ACCT 125)		
9	CASH (ACCT 131)		
10	ACCOUNTS & NOTES RECEIVABLE (ACCTS 141 & 144)		
11	MATERIALS & SUPPLIES INVENTORY (ACCT 151, Pg 5, Line 57)		
12	CURRENT & ACCRUED ASSETS & PREPAYMENTS (ACCTS 131-135, 145-146, & 162-174)		
13	DEFERRED DEBITS INC. ACCUMULATED DEFERRED INCOME TAXES (ACCTS 181 - 190)		
14	<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 878,507.00</b>	<b>\$ 861,644.00</b>
15	<b>LIABILITIES AND OTHER CREDITS</b>		
16	CAPITAL STOCK (ACCTS 201 & 204)		
17	OTHER PAID-IN CAPITAL (ACCT 211)		
18	DISCOUNT & EXPENSE ON CAPITAL STOCK (ACCTS 212 & 213)		
19	RETAINED EARNINGS (ACCT 214)	\$ 59,931.00	\$ 74,772.00
20	PROPRIETARY CAPITAL (ACCT 218)		
21	LONG-TERM DEBT (ACCT 224)	\$ 479,009.00	\$ 455,070.00
22	CUSTOMER DEPOSITS (ACCT 235)		
23	ACCOUNTS & NOTES PAYABLE (ACCTS 231 & 232)		
24	OTHER CURRENT & ACCRUED LIABILITIES (ACCTS 233-234, 236-238 & 241)		
25	OTHER DEFERRED CREDITS INCLUDING DEFERRED TAXES (ACCT 253 & 410)		
26	ADVANCES FOR CONSTRUCTION (ACCT 252 TO BE PAID BACK IN PART OR IN FULL)		
27	ACCUMULATED CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC) (ACCT 271)	\$ 339,567.00	\$ 331,802.00
28	ACCUMULATED DEFERRED INCOME TAXES (ACCT 280)		
29	<b>TOTAL LIABILITIES AND OTHER CREDITS</b>	<b>\$ 878,507.00</b>	<b>\$ 861,644.00</b>



**Illahé Estates Water System**  
**FOR THE YEAR ENDING DECEMBER 31, 2011**

<b>SERVICE &amp; PUMPING DATA</b>			
<b>#</b>	<b>SOURCE/PUMP</b>	<b># IN SERVICE AT YEAR END</b>	<b>COMMENTS</b>
1	NUMBER OF WELLS	3	
2	NUMBER OF SPRINGS		
3	NUMBER OF SURFACE SOURCES		
4	PURCHASES		
5	OTHER SOURCES		
6	EMERGENCY SOURCES		
7	NUMBER OF PUMPS IN SERVICE	6	
8	TOTAL PUMPING CAPACITY (GPM)	280 GPM	
9	PURIFICATION? YES <input checked="" type="checkbox"/> NO <input type="checkbox"/> IF YES, WHAT TYPE? Chlorine		

<b>SERVICE CONNECTIONS</b>							
<b>#</b>	<b>CLASSIFICATION</b>	<b>NO. OF CONNECTIONS AT BEGINNING OF REPORTING YEAR</b>		<b>NO. OF NEW CONNECTIONS AT THE END OF REPORTING YEAR</b>		<b>NUMBER OF INACTIVE CONNECTIONS AT THE END OF THE REPORTING YEAR</b>	
		<b>Metered</b>	<b>Flat</b>	<b>Metered</b>	<b>Flat</b>	<b>Metered</b>	<b>Flat</b>
1	RESIDENTIAL	228				1	
2	COMMERCIAL	3					
3	INDUSTRIAL						
4	IRRIGATION						
5	MULTI-FAMILY						
6	FIRE PROTECTION (HYDRANTS)	27					
7	OTHER - SPECIFY						
8							
9							
10	<b>TOTAL</b>	258	0	0	0	1	0

**Illaha Estates Water System**  
**FOR THE YEAR ENDING DECEMBER 31, 2011**

<b>STORAGE FACILITIES</b>			
<b>#</b>	<b>TYPE &amp; DESCRIPTION</b>	<b>HOW MANY</b>	<b>COMBINED CAPACITY IN GALLONS</b>
1	RESERVOIRS/TANKS		
2	CONCRETE		
3	EARTH		
4	STEEL	2	400,000
5	WOOD		
6	PRESSURE TANKS		
7	OTHER		
8	<b>TOTAL CAPACITY IN GALLONS</b>		400,000

<b>TRANSMISSION AND DISTRIBUTION PIPE (do not include customer service pipes)</b>								
<b>#</b>	<b>DESCRIPTION</b>	<b>3/4 TO 1 INCH LINEAR FEET</b>	<b>1 1/4 TO 1 1/2 INCH LINEAR FEET</b>	<b>2 TO 2 1/2 INCHES LINEAR FEET</b>	<b>3 TO 3 1/2 INCHES LINEAR FEET</b>	<b>4 INCHES LINEAR FEET</b>	<b>OTHER SIZES - 6"</b>	<b>TOTAL LINEAR FEET</b>
1	CAST IRON							0
2	WELDED STEEL							0
3	STANDARD SCREW							0
4	CEMENT - ASBESTOS							0
5	PLASTIC			250				250
6	OTHER (specify) Ductile					1,550		1,550
7	OTHER (specify) Ductile 6"						9,550	9,550
8	OTHER (specify) Ductile 8"						10,220	10,220
9	OTHER (specify) Ductile 10"						2,100	2,100
10	PRESSURE RANGE: MAXIMUM <u>100</u> PSI MINIMUM <u>42</u> PSI							
<b>EXPLANATION OF UNUSUAL CHANGES IN DEPRECIATION RESERVE:</b>								

**Illaha Estates Water System**  
**FOR THE YEAR ENDING DECEMBER 31, 2011**

**Pg. 15**


**RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR  
FEDERAL INCOME TAXES**

**UTILITY OPERATIONS**

The reconciliation should include the same detail as furnished on Schedule M-1 of the federal tax return for the year. The reconciliation shall be submitted even though there is no taxable income for the year. Descriptions should clearly indicate the nature of each reconciling amount and show the computation of all tax accruals. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating intercompany amounts to be eliminated in such consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.

DESCRIPTION (1)	REFERENCE (2)	AMOUNT (3)
Net Income for the year		\$ 14,841.00
Reconciling items for the year		
Taxable income not reported on books:		
Deductions recorded on books not deducted for return:		
Income recorded on books not included in return:		
Deduction on return not charged against book income:		
Additional Depreciation		\$ 20,637.00
Federal tax net income:		\$ (5,796.00)
Computation of tax: 30.52% of total company taxes		\$ 3,617.00

**VERIFICATION:** I DECLARE UNDER PENALTIES OF FALSE SWEARING THAT THIS REPORT, INCLUDING ANY ACCOMPANYING SCHEDULES AND STATEMENTS, HAS BEEN EXAMINED BY ME AND, TO THE BEST OF MY KNOWLEDGE AND BELIEF, IT IS A TRUE, CORRECT AND COMPLETE REPORT OF OPERATIONS

<b>SIGNATURE:</b> 	<b>TITLE:</b> President
<b>PRINT NAME:</b> Melvin Olson	<b>DATE:</b> 16-Mar-12
<b>FULL NAME OF REPORTING UTILITY:</b> Illaha Estates Water System	<b>TELEPHONE NUMBER:</b> 503-554-8333