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2000 ANNUAL REPORT

California Utilities Service, Inc.

P.O. Box 5100, Salinas, CA 93915

North Monterey County

To The

PUBLIC UTILITIES COMMISSION

STATE OF CALIFORNIA

General Information:

Organized February 1985, Incorporated in the State of California

President: Robert T. Adcock, P.O. Box 5100, Salinas, CA 93915

Secretary: N. Patricia Adcock, P.O. Box 5100, Salinas, CA 93915

Vice President Thomas R.W. Adcock, P.O. Box 5100, Salinas, CA 93915

DECLARATION

I, the undersigned officer of California Utilities Service under penalty of perjury do declare that THIS report has been prepared by me, or under my direction, from the books, paper and records of the respondent; that I have carefully examined the same, and declare the same to be a complete and correct statement of the business and affairs of the above named respondent and the operations of its property for the period:

From and including January 1, 2000 to and including December 31, 2000.

(Signed)	<u>Thomas R. Adcock</u>
(Title)	<u>Vice President</u>
(Date)	<u>6-29-01</u>

CALIFORNIA UTILITIES SERVICE, INC.

BALANCE SHEET
AS OF DECEMBER 31, 2000 AND 1999

<u>ASSETS</u>	<u>2000</u>	<u>1999</u>
<u>PROPERTY</u>		
Sewer Plant In Service	\$ 3,270,169	\$ 3,212,725
Accumulated Depreciation	<u>(1,183,988)</u>	<u>(1,062,719)</u>
Net Sewer Plant In Service	\$ 2,086,181	\$ 2,150,006
Sewer Plant - CWIP	<u>0</u>	<u>2,054</u>
Total Sewer Plant	\$ 2,086,181	\$ 2,152,060
<u>CURRENT ASSETS</u>		
Cash	\$ 7,167	\$ 16,785
Accounts Receivable - Customers- Net of provision for uncollectible accounts: \$642	597	2,011
Material and Supplies	2,514	1,156
Other Current Assets	<u>2,557</u>	<u>2,724</u>
Total Current Assets	\$ 12,835	\$ 22,676
Deferred Charges	<u>17,669</u>	<u>17,819</u>
<u>TOTAL ASSETS</u>	<u>\$ 2,116,685</u>	<u>\$ 2,192,555</u>

CALIFORNIA UTILITIES SERVICE, INC.

BALANCE SHEET
AS OF DECEMBER 31, 2000 AND 1999

<u>LIABILITIES</u>	<u>2000</u>	<u>1999</u>
<u>CAPITALIZATION</u>		
Stockholder's Equity Common Stock, No Par Value Authorized, Issued and Outstanding, 1,000 Shares	\$ 10,000	\$ 10,000
Retained Earnings	(294,046)	(275,139)
Advances from Stockholders	91,663	91,663
Payable to Associated Companies	<u>548,346</u>	<u>468,158</u>
Total Stockholders' Equity	\$ 355,963	\$ 294,682
Long Term Debt (Attachment 1)	<u>\$ 45,674</u>	<u>\$ 84,347</u>
Total Capitalization	\$ 401,637	\$ 379,029
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 223,237	\$ 225,417
Customer Deposits	554	473
Property, Payroll & Other Taxes Payable	88,745	147,113
Other Current Liabilities	<u>22,384</u>	<u>18,616</u>
Total Current Liabilities	\$ 334,920	391,619
<u>DEFERRED CREDITS</u>		
Contributions In Aid Of Construction (Net of Amortization: \$1,109,261)	\$ 1,330,418	\$ 1,420,154
Other Deferred Credits	<u>49,710</u>	<u>1,753</u>
TOTAL LIABILITIES	<u>\$ 2,116,685</u>	<u>\$ 2,192,555</u>

CALIFORNIA UTILITIES SERVICE, INC.

INCOME STATEMENT
FOR THE CALENDAR YEARS 2000 AND 1999

<u>OPERATING REVENUES</u>	<u>2000</u>	<u>1999</u>
Sewer Revenues	\$ 526,881	\$ 518,236

OPERATING EXPENSES

COLLECTION SYSTEM & SPRAYFIELD MAINTENANCE

Employee Labor	\$ 47,626	\$ 53,908
Payroll Taxes	4,605	4,958
Employee Benefits	10,099	12,721
Workers' Compensation Insurance	1,661	1,746
Materials	3,891	1,097
Transportation	40,715	33,425
Power	825	834
Other	<u>1,927</u>	<u>2,594</u>
Total Collection System & Sprayfield Maintenance	\$ 111,349	\$ 111,283

TREATMENT PLANT OPERATION AND MAINTENANCE

Employee Labor	\$ 64,726	\$ 85,872
Payroll Taxes	6,260	7,898
Employee Benefits	12,886	20,329
Workers' Compensation Insurance	971	2,781
Power	37,606	30,429
Chemicals	28,540	21,653
Other Materials	10,573	13,037
Contract Work	15,109	2,905
Transportation	17,322	10,620
Telephone	2,757	1,381
Laboratory Services	25,657	20,079
Other	<u>6,424</u>	<u>8,237</u>
Total Treatment Plant	\$ 228,831	\$ 225,221

INCOME STATEMENT
(Continued)

<u>OFFICE EXPENSES</u>	<u>2000</u>	<u>1999</u>
Office Salaries	\$ 46,783	\$ 38,317
Office Supplies & Expense	5,906	7,972
Utilities	5,798	5,352
Billing Expenses	<u>11,686</u>	<u>5,165</u>
Total Office Expenses	\$ 70,173	\$ 56,806
 <u>GENERAL EXPENSE</u>		
Management Salaries and Fees	\$ 49,149	\$ 46,603
Insurance	<u>2,790</u>	2,143
Property Taxes	<u>13,111</u>	12,415
Other Taxes	<u>15,853</u>	14,367
Uncollectible Accounts	<u>642</u>	777
Regulatory Commission Expense	0	85
Other	<u>19,165</u>	<u>20,831</u>
Total General Expenses	\$ 100,710	\$ 97,221
 <u>PROFESSIONAL SERVICES</u>		
Legal	\$ 1,738	\$ 0
Engineering	<u>4,493</u>	<u>257</u>
Total Professional Services	\$ 6,231	\$ 257
Depreciation Expense	\$ 25,580	\$ 23,730
Miscellaneous Non Utility Expense	4,097	1,527
Interest Expense	8,631	12,078
Income Taxes	<u>800</u>	<u>1,602</u>
Total Expenses	\$ 556,402	\$ 529,725
Non Utility Income	10,614	16,169
NET INCOME (LOSS)	<u>\$ (18,907)</u>	<u>\$ 4,680</u>

CALIFORNIA UTILITIES SERVICE, INC.

LONG TERM DEBT SCHEDULE

AS OF DECEMBER 31, 2000

<u>NOTE A</u>	<u>ISSUE DATE</u>	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL AMOUNT</u>	<u>BALANCE AS OF 12/31/00</u>
Lewis & Lois Kootstra	12/95	12/00	12%	\$ 100,000	\$ 2,618
Lewis & Lois Koostra	07/98	06/03	12%	75,000	43,056
Total					\$ 45,674