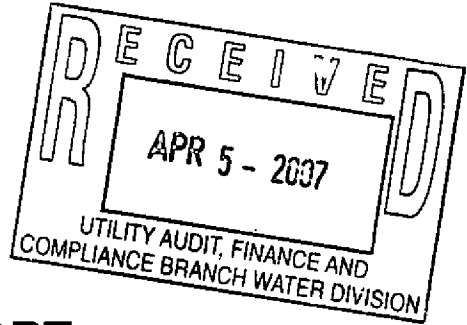


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Received _____
Examined _____

SEWER UTILITIES



U# _____

2006
ANNUAL REPORT
OF

CALIFORNIA UTILITIES SERVICE, INC.

(NAME UNDER WHICH CORPORATION, PARTNERSHIP, OR INDIVIDUAL IS DOING BUSINESS)

P.O. Box 5100, Salinas, CA 93915
(OFFICIAL MAILING ADDRESS) ZIP

TO THE
PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
FOR THE
YEAR ENDED DECEMBER 31, 2006

REPORT MUST BE FILED NOT LATER THAN MARCH 31, 2007
(FILE TWO COPIES IF THREE RECEIVED)

INSTRUCTIONS

1. One completed copy of this report (two copies if three received) must be filed NOT LATER THAN MARCH 31, following the year covered by the report, with:

**CALIFORNIA PUBLIC UTILITIES COMMISSION
WATER DIVISION
ATTN: KAYODE KAJOPAIYE
505 VAN NESS AVENUE, ROOM 3105
SAN FRANCISCO, CALIFORNIA 94102-3298**

2. Failure to file the report on time may subject a utility to the penalties and sanctions provided by the Public Utilities Code.
3. The Oath, on the last page, must be signed by an officer, partner or owner.
4. The report must be prepared in ink or by the use of a typewriter. Computer generated report forms may be substituted.
5. The report must be filled in, and every question answered. LEAVE NO SCHEDULE BLANK. Insert the words "none" or "not applicable" or "n/a" when appropriate.
6. Certain balance sheet and income statement accounts refer to supplemental schedules. The totals of the details in the latter must agree with the balances of the accounts to which they refer.
7. Some schedules provide for a "balance at beginning of year." The amount shown should agree with the "balance at end of year" as shown in the report for the previous year. If there is a difference it should be explained by footnote.
8. When there is insufficient space in a schedule to permit a complete statement of the requested information, insert sheets should be prepared and identified by the number of the schedule to which it refers. Be certain that the inserts are securely attached to the report.
9. This report must cover a calendar year, from January 1 through December 31. Fiscal year reports will not be accepted.

Excess Capacity and Non-Tariffed Services

NOTE: In D.00-07-018, D.03-04-026, and D. 04-12-023, the CPUC set forth rules and requirements regarding water utilities provision of non-tariffed service using excess capacity. These decisions require water utilities to: 1) file an advice letter requesting Commission approval of that service, 2) provide information regarding non-tariffed goods/services in each companies Annual Report to the Commission.

Based on the information and filings required in D.00-07-018, D.03-04-026, and D.04-12-023, provide the following information by each individual non-tariffed good and service provided in 200 :

Applies to All Non-Tariffed Goods/Services that require Approval by Advice Letter

Row Number	Description of Non-Tariffed Good/Service	Active or Passive	Total Revenue derived from Non-Tariffed Good/Service (by account)	Revenue Account Number	Total Expenses Incurred to provide Non-Tariffed Good/Service (by account)	Expense Account Number	Advice Letter and/or Resolution Number approving Non-Tariffed Good/Service	Total Income Tax Liability Incurred because of non-tariffed Good/Service (by account)	Income Tax Liability Account Number	Gross Value of Regulated Assets used in the provision of a Non-Tariffed Good/Service (by account)	Regulated Asset Account Number
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N/A

SCHEDULE A - BALANCE SHEET (DECEMBER 31, 2006)

Line	Acct.	Assets	Balance	Acct.	Equity and Liabilities	Balance
1	101	Plant in service	4,454,557	201	Common Stock (Corporations only)	10,000
2	103	Plant held for future use		211	Other paid-in capital (Corporations only)	
3	104	Plant purchased or sold		215	Retained earnings	(352,333)
4	105	Plant construction work in progress		218	Proprietary capital	
5	108	Accumulated depreciation of plant	(2,011,297)	224	Long term debt (Adv. from Shareholders)	111,663
6	114	Plant acquisition adjustments			Current Liabilities	1,239,571
7	124	Other investments		252	Advances for construction	
8	131	Cash	9,153	253	Other deferred credits	40,000
9	141	Accounts receivable - customers	18,483	255	Accumulated deferred investment tax credits	
10	142	Receivables from associated companies	4,585	282	Accumulated deferred income taxes - Acrs	
11	151	Materials and supplies	1,200		depreciation	52,929
12	174	Other current assets	176,320	283	Accumulated deferred income taxes - other	
13	180	Deferred charges		271	Contributions in aid of construction	3,266,001
14				272	Accumulated amortization of contributions	(1,714,830)
15		Total Assets	2,653,001		Total Equity and Liabilities	2,653,001

SCHEDULE B - SEWER PLANT IN SERVICE

Line	Acct	Title of Account	Balance Beg of Year	Plt Additions During year	Plt Retirements During year	Other Debits or (Credits)	Balance End of year
16	301	Intangible plant					
17	303	Land					
18	304	Structures					
19	307	Wells					
20	317	Other source plant					
21	311	Pumping equipment					
22	320	Treatment plant	See Schedule 1				
23	330	Reservoirs					
24	331	Mains					
25	333	Services and meter installations					
26	334	Meters					
27	339	Other equipment					
28	340	Office furniture and equipment					
29	341	Transportation equipment					
30		Total Plant in service					

* Debit or credit entries should be explained by footnotes or supplementary schedules

SCHEDULE C - RESERVE FOR DEPRECIATION OF UTILITY PLANT

Line	Item	Account 106 Plant	
32	Balance in reserves at beginning of year	1,856,360	A. Method used to compute depreciation
33	Add: Credits to reserves during year		expense (Acct. 403) and rate.
34	(a) Charged to Account No. 403	40,378	SL 3.927%
35	(b) Charged to Account No. 272	114,559	
36	(c) Charged to clearing accounts		B. Amount of depreciation expense claimed
37	(d) Salvage recovered		or to be claimed on utility property in
38	(e) All other credits		your federal income tax return for the year
39	Total credits	154,937	covered by this report \$
40	Deduct: Debits to reserves during year		Approximately \$ 38,234
41	(a) Book cost of property retired		
42	(b) Cost of removal		C. State method used to compute tax
43	(c) All other debits		depreciation.
44	Total debits	-	S/L, 150 DB, 200 DB
45	Balance in reserve at end of year	2,011,297	
46	(1) Explanation of all other credits		
47	(2) Explanation of all other debits		

SCHEDULE D - CAPITAL STOCK OUTSTANDING (DECEMBER 31, 2006)

Line				
1	Common - (Shares 10,000	\$	par)	10,000 Robert T. Adcock, 100%
2	Preferred - (Shares	\$	par)	
3	Dividends - Common	Rate - \$		
4	- Preferred	Rate - \$		

SCHEDULE E - LONG TERM DEBT

	Class	Date of Issue	Date of Maturity	Outstanding Per Balance Sheet	Rate of Interest	Interest Accrued During Year	Interest Paid During Year
5							
6							
7							
6	Totals						

SCHEDULE F - INCOME STATEMENT

9		Operating revenues	xxxxxxxxxx
10	460	Unmetered revenue	751,636
11	470	Metered revenue	
12	460	Other revenue	
13		Total Operating Revenue	751,636
14		Operating revenue deductions	xxxxxxxxxx
15		Operating expenses	xxxxxxxxxx
16	610	Purchased water	
17	615	Power	49,563
16	616	Other volume related expenses	28,666
19	630	Employee labor	136,661
20	640	Materials	9,706
21	650	Contract work	6,775
22	660	Transportation expenses	68,902
23	664	Other plant maintenance expense	25,963
24	670	Office salaries	75,299
25	671	Management salaries	53,106
26	674	Employee pensions and benefits	110,206
27	676	Uncollectible accounts expense	2,663
26	676	Office services and rentals	1,146
29	681	Office supplies and expense	25,319
30	662	Professional services	960
31	684	Insurance	30,936
32	668	Regulatory commission expense	396
33	669	General expenses	2,724
34		Total Operating Expenses	653,217
35	403	Depreciation expense	40,376
36	406	Taxes other than income taxes	56,151
37	409	State corporate income tax expense	600
36	410	Federal corporate income tax expense	-
39		Total Operating Revenue Deductions	750,546
40		Utility Operating Income	1,090
41	421	Non-utility income	(6,763)
42	426	Miscellaneous non-utility expense	(190)
43	427	Interest expense	(21,295)
44		Net Income (Loss)	(27,176)

SCHEDULE G - EMPLOYEES AND THEIR COMPENSATION

Line	Acct	Account	Number at End of Year	Salaries Charged To Expense	Salaries Charged to Plant Accounts	Total Salaries and Wages Paid
45	630	Employee Labor	4	136,661	10,010	146,671
46	670	Office salaries	1	75,299		75,299
47	671	Management salaries	1	53,106	2,093	55,201
46		Total	6	267,266	12,103	279,371

SCHEDULE H - ADVANCES FOR CONSTRUCTION

Balance beginning of year	
Additions during year	
Subtotal - Beginning balance plus additions during year	
Refunds	
Transfers to Acct. 271 - Contributions in Aid of Construction	
Balance end of year	

SCHEDULE I - TOTAL METERS AND SERVICES (active and inactive)

Size	Meters	Services
-in		1105
-in		
-in		
-in		
-in		
Total		

SCHEDULE J - METER-TESTING DATA

Number of meters tested during year	
1	Used, before repair...
2	Used, after repair
3	Fast, requiring refund

SCHEDULE K - SERVICE CONNECTIONS AT END OF YEAR

Classification	Active			Inactive			Total connections	
	Metered	Flat	Total	Metered	Flat	Total	Metered	Flat
Residences		1100	1100		5	5		1105
Industrial								
Other (specify)								
Total		1100	1100		5	5		1105

NOTE: Total connections (metered plus flat) should agree with total services in Schedule K.

SCHEDULE L - STORAGE FACILITIES

SCHEDULE M - FOOTAGES OF PIPE (EXCLUDING SERVICE PIPES)

Description	No.	Combined capacity In gallons	Description	2" and under				Other sizes (specify)	Totals
				2 1/4 to 3 1/4	4"				
Concrete			Cast Iron						
Earth	1	14,000,000	Welded steel						
Wood			Standard screw						
Steel			Cement-asbestos						
Other			Plastic						
			Other (specify)						
Total			Total						

DECLARATION

(BEFORE SIGNING PLEASE CHECK TO SEE THAT ALL SCHEDULES HAVE BEEN COMPLETED)

I, the undersigned (officer, partner or owner) of California Utilities Service, Inc., under penalty of perjury do declare that this report has been prepared by me, or under my direction, from the books, papers 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, 2006, to and including December 31, 2006

Shawn N. Adair 10010

Signed _____
Vice President

Title _____
3-29-07
Date

**California Utilities Service, Inc.
2005 Annual Report**

SCHEDULE B - SEWER PLANT IN SERVICE

Line	Acct	Title of Account	Balance Beg of Year	Plt Additions During year	Plt Retirements During year	Other Debits or (Credits)	Balance End of year
	301 000	Intangible plant	53,810				53,810
	303 000	Land	99,565				99,565
	304 000	Structures	77,193				77,193
	305 100	Mains - Collection systems	653,301	688,951			1,342,252
	305 200	Manholes	93,227				93,227
	305 300	Cleanouts	4,536				4,536
	305 400	Laterals	269,126	21,864			290,990
	307 100	Transmission	257,382				257,382
	307 200	Manholes	47,450				47,450
	307 300	Laterals	1,000				1,000
	307 400	Structures	15,911				15,911
	307 500	Force mains, transmission	38,621				38,621
	307 600	Pump equipment	53,921				53,921
	311 100	Ponds - water storage	201,648				201,648
	311 200	Sumps - treatment plant	4,608				4,608
	311 300	Treatment Plant	7,112				7,112
	311 400	Mains - Treatment plant	20,287				20,287
	311 500	Structures	26,557				26,557
	311 600	Storage	147				147
	311 900	Other Assets	7,811				7,811
	312 100	Concrete - sumps and tanks	331,964				331,964
	312 200	Piping	260,086				260,086
	312 310	Treatment Plant	23,980				23,980
	312 320	Pumping and Electrical	537,793				537,793
	312 330	Standby generator	5,659				5,659
	312 340	Chlorine & Chem. Treat. Equipment	13,471				13,471
	312 350	Sludge System	146,683				146,683
	312 400	Treatment Building	123,115				123,115
	312 410	Freshwater supply	0				0
	312 420	Fire Protection system	6,000				6,000
	312 430	Roads and fencing	20,267				20,267
	312 500	Laboratory equipment	282				282
	320 100	Mains - Force mains	25,056				25,056
	320 200	Sumps - Force mains	0				0
	320 300	Pumps - Force mains	0				0
	320 400	Sprayfield improvements	179,365				179,365
	339 000	Other equipment	53,503	700			54,203
		Office	27,610				27,610
	341 000	Transportation Equipment	54,995				54,995
			3,743,042	711,515	0	0	4,454,557