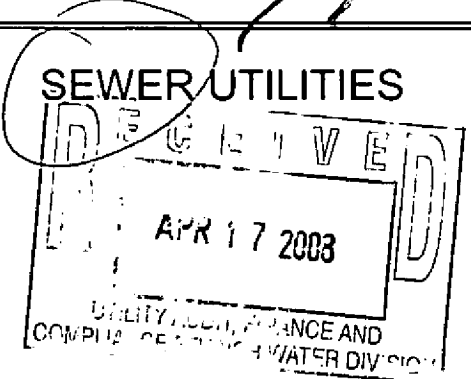


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U# _____

2007
ANNUAL REPORT
OF

RURAL WATER COMPANY

CYPRESS RIDGE SEWER SERVICE

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

P.O. BOX 745

GROVER BEACH, CA 93483

(OFFICIAL MAILING ADDRESS)

ZIP

TO THE
PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
FOR THE
YEAR ENDED DECEMBER 31, 2007

REPORT MUST BE FILED NOT LATER THAN MARCH 31, 2008
(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
kok@cpuc.ca.gov**

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.

CLASS D SEWER UTILITIES

(HAVING LESS THAN 500 SERVICE CONNECTIONS)

RURAL WATER COMPANY - CYPRESS RIDGE SEWER SERVICE
 (Name under which corporation, partnership or individual is doing business)

P.O. BOX 745, GROVER BEACH, CA 93483
 (Official mailing address)

ARROYO GRANDE, CA - SAN LUIS OBISPO COUNTY
 (Service area-town and county)

GENERAL INFORMATION

RETURN ORIGINAL
 TO COMMISSION
NO PHOTOCOPIES

- 1 If a corporation show:
 (A) Date of organization 5/14/1982 incorporated in the State of California
 (B) Names, titles and addresses of principal officers: Charles M. Baker, President
 P.O. Box 745, Grover Beach, CA 93483
- 2 If unincorporated give the name and address of owner or of each partner: N/A
- 3 Name and telephone number of:
 (A) One person listed above to receive correspondence: Charles M. Baker (805) 481-6686
 (B) Person responsible for operations and services: Charles M. Baker (805) 481-6686
- 4 Were any contracts or agreements in effect with any organization or person covering service, supervision and/or management of your business affairs during the year? (Yes or No) Yes
 If so, what was the nature and the amount of each payment made under the agreement, to whom were payments made, and to what account was each payment charged? See attached
- 5 State the names of associated companies or persons which, directly or indirectly, or through one or more intermediaries, control, or are controlled by, or are under common control with respondent:

PUBLIC HEALTH STATUS

	Yes	No	Latest Date
6 Has state or local health department inspection been made during the year?	X		10/07
7 Are routine laboratory tests of water being made?	X		Weekly
8 Has state health department water supply permit been obtained? (Indicate date)			N/A
9 If no permit has been obtained, state whether application has been made and when.			N/A
10 Show expiration date if state permit is temporary.			N/A

- 11 List Name, Grade, and License Number of all Licensed Operators:
Charles Grace Grade 5 #V-8742

SPECIAL INSTRUCTIONS

Excess Capacity and Non-Tariffed Services

NOTE: In D.00-07-018, D.03-04-028, and D. 04-12-023, the CPUC set forth rules and requirements regarding water utilities provision of non-tariffed services 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.03-04-028, and D.04-12-023, provide the following information by each individual non-tariffed good and service provided in 200 :

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

SCHEDULE A - BALANCE SHEET (DECEMBER 31, 2007)

Line	Acct.	Assets	Balance	Acct.	Equity and Liabilities	Balance
1	101	Plant in service	4,760,000	201	Common Stock (Corporations only)	
2	103	Plant held for future use		211	Other paid-in capital (Corporations only)	
3	104	Plant purchased or sold		215	Retained earnings SEE ATTACHED	(372,576)
4	105	Plant construction work in progress		218	Proprietary capital	
5	108	Accumulated depreciation of plant	(729,697)	224	Long term debt	499,463
6	114	Plant acquisition adjustments			Current Liabilities	49,546
7	124	Other investments		252	Advances for construction	
8	131	Cash		253	Other deferred credits	
9	141	Accounts receivable - SEE ATTACHED	176,433	255	Accumulated deferred investment tax credits	
10	142	Receivables from associated companies		282	Accumulated deferred income taxes - Acrs	
11	151	Materials and supplies			depreciation	
12	174	Other current assets		283	Accumulated deferred income taxes - other	
13	180	Deferred charges		271	Contributions in aid of construction	4,760,000
14				272	Accumulated amortization of contributions	(729,697)
15		Total Assets	4,206,736		Total Equity and Liabilities	4,206,736

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	10,000				10,000
22	320	Treatment plant	3,200,000				3,200,000
23	330	Reservoirs					
24	331	Mains	1,500,000				1,500,000
25	333	Services and meter installations					
26	334	Meters					
27	339	Other equipment	40,000				40,000
28	340	Office furniture and equipment	10,000				10,000
29	341	Transportation equipment					
30		Total Plant in service	4,760,000				4,760,000

* 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	583,757	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		
35	(b) Charged to Account No. 272	145,940	
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	145,940	covered by this report \$
40	Deduct: Debits to reserves during year		
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		
45	Balance in reserve at end of year	729,697	
46	(1) Explanation of all other credits	N/A	
47	(2) Explanation of all other debits	N/A	

SCHEDULE D - CAPITAL STOCK OUTSTANDING (DECEMBER 31, 2007)

Line				
1	Common - (Shares	\$	par)	List persons owning more than 5% of outstanding stock
2	Preferred - (Shares	\$	par)	and number of shares owned by each: Charles M. Baker
3	Dividends - Common	Rate - \$		The Company's common stock is reported on the water
4	- Preferred	Rate - \$		utility annual report.

SCHEDULE E - LONG TERM DEBT

	Class	Date of Issue	Date of Maturity	Principal Amount Authorized	Outstanding Per Balance Sheet	Rate of Interest	Interest Accrued During Year	Interest Paid During Year
5	Shareholder loan	Various	Demand		499,463	5%	20,058	7,700
6								
7								
8	Totals							

SCHEDULE F - INCOME STATEMENT

9		Operating revenues	xxxxxxxxxxx
10	460	Unmetered revenue	238,462
11	470	Metered revenue	
12	480	Other revenue	
13		Total Operating Revenue	
14		Operating revenue deductions	xxxxxxxxxxx
15		Operating expenses	xxxxxxxxxxx
16	610	Purchased water	
17	615	Power	21,942
18	618	Other volume related expenses	
19	630	Employee labor	
20	640	Materials	
21	650	Contract work	252,082
22	660	Transportation expenses	2,716
23	664	Other plant maintenance expense	
24	670	Office salaries	3,000
25	671	Management salaries	30,000
26	674	Employee pensions and benefits	14,183
27	676	Uncollectible accounts expense	
28	678	Office services and rentals	4,669
29	681	Office supplies and expense	3,087
30	682	Professional services	34,397
31	684	Insurance	15,197
32	688	Regulatory commission expense	7,630
33	689	General expenses	475
34		Total Operating Expenses	389,378
35	403	Depreciation expense	
36	408	Taxes other than income taxes	2,260
37	409	State corporate income tax expense	200
38	410	Federal corporate income tax expense	-
39		Total Operating Revenue Deductions	391,838
40		Utility Operating Income	(153,376)
41	421	Non-utility income	
42	426	Miscellaneous non-utility expense	
43	427	Interest expense	(20,058)
44		Net Income	(173,434)

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	0	-	-	-
46	670	Office salaries	1	3,000	-	3,000
47	671	Management salaries	1	30,000	-	30,000
48		Total	2	33,000	-	33,000

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	N/A

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

Size	Meters	Services
-in		
-in		
-in		
-in		
-in		
Total		N/A

SCHEDULE J - METER-TESTING DATA

Number of meters tested during year	N/A
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		364	364		23	23		387
Industrial								
Other (specify)								
Commercial		8	8					8
Total		372	372		23	23		395

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"	6"	6"		
Concrete	3	66,000	Cast Iron						
Earth			Welded steel						
Wood			Standard screw						
Steel			Cement-asbestos						
Other			Plastic				28000	28000	
			Other (specify)						
Total	3	66,000	Total				28000	28000	

DECLARATION

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

I, the undersigned (officer, partner or owner) of RURAL WATER COMPANY - CYPRESS RIDGE SEWER SERVICE, 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, 2007, to and including DECEMBER 31, 2007.

Charles M. Anderson

Signed

PRESIDENT

Title

Mar. 29, 2008

Date

ATTACHMENT TO ANNUAL REPORT OF CYPRESS RIDGE SEWER OPERATIONS

PAGE 5, SCHEDULE B - SEWER PLANT IN SERVICE

RURAL WATER COMPANY WAS INCORPORATED IN 1982 AND HAS OPERATED A WATER UTILITY PLANT SINCE THAT TIME. IN JUNE, 2002, RURAL WATER COMPANY WAS GRANTED A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO PROVIDE SEWER SERVICE TO THE CYPRESS RIDGE SUBDIVISION IN SAN LUIS OBISPO COUNTY, AND AS A RESULT, TOOK OVER THE OPERATION OF THE CYPRESS RIDGE SEWER PLANT IN JANUARY, 2003.

RURAL WATER COMPANY OPERATES BOTH A WATER UTILITY AND SEWER UTILITY PLANT. THE AMOUNTS REPORTED IN THIS ANNUAL REPORT REFLECT ONLY THE SEWER OPERATIONS OF RURAL WATER COMPANY. THE WATER UTILITY OPERATION HAS BEEN REPORTED ON A SEPARATE WATER UTILITY ANNUAL REPORT. THE CAPITALIZATION OF RURAL WATER COMPANY HAS BEEN REPORTED ON THE WATER UTILITY ANNUAL REPORT.

UNDER DECISION 02-06-005, RURAL WAS AUTHORIZED TO ESTABLISH A MEMORANDUM ACCOUNT FOR OPERATING EXPENSES FOR ITS PUBLIC UTILITY SEWER SERVICE. THE MEMORANDUM ACCOUNT REMAINS IN EFFECT.

GENERAL INFORMATION - PAGE 1, QUESTION 4

CONTRACTS IN EFFECT DURING THE YEAR

<u>NAME</u>	<u>NATURE OF PAYMENTS</u>	<u>AMOUNT</u>	<u>ACCOUNT CHARGED</u>
ECO RESOURCES, INC.	CONTRACT MAINTENANCE	245,179	650
MULTI-TASK BUSINESS SYS.	BOOKKEEPING SERVICES	9,300	682
RURAL SPECIAL DISTRICTS INSURANCE	INSURANCE	15,000	684
FRANK B & ASSOCIATES	PROFESSIONAL SERVICES	20,483	682

SCHEDULE A - BALANCE SHEET DETAIL

THE AMOUNT ON SCHEDULE A, BALANCE SHEET, LINE 9, ACCOUNT 141 - ACCOUNTS RECEIVABLE INCLUDES CURRENT ACCOUNTS RECEIVABLE OF \$4,236 AS WELL THE REMAINING BALANCE OF COMMISSION APPROVED SURCHARGES FOR 2004 AND 2005 AND THE APPROVED SURCHARGE FOR 2006 PER RESOLUTION 4671. THE SURCHARGE RECEIVABLE ACCOUNTS FOR 2004 AND 2005 INCLUDE INTEREST AT THE 90-DAY COMMERCIAL RATE CALCULATED MONTHLY.

2004 SURCHARGE APPROVED 10/1/05	\$ 75,867
SURCHARGE COLLECTED IN 2005	(6,496)
SURCHARGE COLLECTED IN 2006	(26,700)
SURCHARGE COLLECTED IN 2007	(27,940)
INTEREST ACCRUED ON BALANCE THROUGH 12/31/07	5,186
BALANCE 12/31/07	<u>19,918</u>
2005 SURCHARGE APPROVED 10/1/06	69,756
SURCHARGE COLLECTED IN 2006	(5,713)
SURCHARGE COLLECTED IN 2007	(22,994)
INTEREST ACCRUED ON BALANCE THROUGH 12/31/07	3,817
BALANCE 12/31/07	<u>44,866</u>
2006 SURCHARGE APPROVED 1/10/08	107,413
TOTAL SURCHARGES RECEIVABLE	<u>\$ 172,197</u>

ATTACHMENT TO ANNUAL REPORT OF CYPRESS RIDGE SEWER OPERATIONS (continued)

SCHEDULE A, BALANCE SHEET, LINE 3, ACCOUNT 215 - RETAINED EARNINGS RECONCILIATION:

BALANCE 12/31/06	\$	(315,558)
2007 NET LOSS		(173,434)
INTEREST ON SURCHARGE BALANCING ACCOUNT - 2004		5,186
INTEREST ON SURCHARGE BALANCING ACCOUNT - 2005		3,817
2006 SURCHARGE APPROVED PER RESOLUTION 4671, 1/10/08		107,413
BALANCE 12/31/07	\$	<u>(372,576)</u>

RURAL WATER COMPANY SEWER OPERATIONS

Federal ID #: 95-3752939

Asset Summary - Book Basis

Period Ended 12/31/07

Company: 259

Page: 1

<u>Num</u>	<u>Loc</u>	<u>Property Description</u>	<u>Acquired</u>	<u>T</u>	<u>Method</u>	<u>Life</u>	<u>Cost/Basis</u>	<u>179 Exp/AFD</u>	<u>Add SDA</u>	<u>Prior Depr.</u>	<u>Current Depr.</u>	<u>Ending Depr.</u>
Group # 1												
1	I	PUMPING EQUIPMEN	01/01/03	N	SL	33	10,000.00	0.00	0.00	1,212.12	303.03	1,515.15
2	I	TREATMENT PLANT	01/01/03	N	SL	33	3,200,000.00	0.00	0.00	387,878.80	96,969.70	484,848.50
3	I	MAINS	01/01/03	N	SL	33	1,500,000.00	0.00	0.00	181,818.20	45,454.55	227,272.75
4	I	EMERGENCY GENERA	01/01/03	N	SL	33	40,000.00	0.00	0.00	4,848.48	1,212.12	6,060.60
5	I	OFFICE COMPUTER &	01/01/03	N	SL	5	10,000.00	0.00	0.00	8,000.00	2,000.00	10,000.00
Group # 1 Total							<u>4,760,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>583,757.60</u>	<u>145,939.40</u>	<u>729,697.00</u>
Grand Total							<u>4,760,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>583,757.60</u>	<u>145,939.40</u>	<u>729,697.00</u>