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Examined _____

**CLASS D
WATER UTILITIES**

U# _____

Nov. 29, 2004

**2003
ANNUAL REPORT
OF**

INTERSTATE 5 UTILITY COMPANY, INC.

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

2000 - 18TH STREET, BAKERSFIELD, CA 93301

(OFFICIAL MAILING ADDRESS)

ZIP

**TO THE
PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
FOR THE
YEAR ENDED DECEMBER 31, 2003**

**REPORT MUST BE FILED NOT LATER THAN MARCH 31, 2004
(FILE TWO COPIES IF THREE RECEIVED)**

Sandra V. Steward
CERTIFIED PUBLIC ACCOUNTANT

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California Public Utilities Commission
Water Division
505 Van Ness Avenue, Room 3105
San Francisco, CA 94102-3298

I have compiled the accompanying balance sheets of Interstate 5 Utility Company, Inc. as of January 1, 2003 and December 31, 2003, and the related statement of water income for the year ended December 31, 2003, and the related disclosures, in the accompanying prescribed forms in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

My compilation was limited to presenting in the form prescribed by the Public Utilities Commission – State of California, information that is the representation of the owner. I have not audited or reviewed the financial statements and related disclosures referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements, including related disclosures are presented in accordance with the requirements of the Public Utilities Commission – State of California, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

Sandra V. Steward, CPA

Sandra V. Steward, CPA
November 8, 2004

Account Number	Operating Revenue	
470	Metered	28,913
460	Unmetered	17,864
465	Irrigation	
462-480	Private Fire Protection	
	Total Revenue	46,777
	Operating Expenses	
610	Purchased Water	
615	Purchased Power	19,892
	Pump Taxes	
	Purchased Chemicals	
618	Other Vol. Related exp.	
630	Employee Labor	
640	Materials	
650	Contract Work	15,254
	Water Testing	
660	Transportation Expense	
664	Other Plant Maintenance	6,644
670	Office Salaries	
671	Management Salaries	1,800
674	Employee Pensions and Benefits	
676	Uncollectables	
678	Office Service and Rentals	7,560
681	Office Supplies and Expense	10
682	Professional Services	1,473
684	Insurance	5,833
688	Regulatory Expense	
689	General Expense	560
	Subtotal	59,026
403	Depreciation Expense	689
	Ad Valorem Taxes	
	Payroll taxes	-
408	Taxes other than income	1,509
409	State Income Tax	313
410	Federal Income Tax	-
	Total Deductions	61,537
	Net Revenue	(14,760)

See accountant's compilation report.

	Rate Base	
	Average Plant	159,760
	Average Depreciation Reserve	122,699
	Net Plant	37,061
	Less: Advances	-
	Less: Contributions	-
	Plus: Construction Work in Progress	-
	Plus: Working Cash	-
	Plus: Material & Supplies	-
	Rate Base	37,061
	ROR=Net Rev/Rate Base	(0.40)

See accountant's compilation report.

CLASS D WATER UTILITIES

(HAVING LESS THAN 500 SERVICE CONNECTIONS)

INTERSTATE 5 UTILITY COMPANY, INC.

(Name under which corporation, partnership or individual is doing business)

2000 - 18TH STREET, BAKERSFIELD, CA 93301

(Official mailing address)

INTERSTATE 5 AND HIGHWAY 58, NEAR BUTTONWILLOW, KERN COUNTY

(Service area-town and county)

GENERAL INFORMATION

RETURN ORIGINAL
TO COMMISSION
NO PHOTOCOPIES

1 If a corporation show:

(A) Date of organization 10/25/1972 incorporated in the State of CALIFORNIA

(B) Names, titles and addresses of principal officers:

JAMES P. SEARS, PRESIDENT, 2000 - 18TH STREET, BAKERSFIELD, CA 93301

2 If unincorporated give the name and address of owner or of each partner:

NOT APPLICABLE

3 Name and telephone number of:

(A) One person listed above to receive correspondence: JAMES P. SEARS (661) 325-5981

(B) Person responsible for operations and services: JAMES P. SEARS

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?

\$1,800 OF MANAGEMENT FEES PAID TO DARDANA, INC., CHARGED TO ACCOUNT 671

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:

JAMES P. SEARS, DARDANA, INC., HERBERT P. SEARS CO., INC., AND MCKITTRICK 5 PROPERTIES

PUBLIC HEALTH STATUS

6 Has state or local health department inspection been made during the year?

7 Are routine laboratory tests of water being made?

8 Has state health department water supply permit been obtained? (Indicate date)

9 If no permit has been obtained, state whether application has been made and when.

10 Show expiration date if state permit is temporary.

Yes	No	Latest Date
X		
X		WEEKLY
X		Oct-03
		N/A
		N/A

SPECIAL INSTRUCTIONS (over)

SPECIAL INSTRUCTIONS

- 1 Beginning of year balances must agree with end of year balances shown in report for previous year. Attach a supplementary statement to explain any differences.
- 2 Attach a supplementary statement to explain adjustments in Schedule B - Water Plant in Service.
- 3 Complete all schedules, using the words "None" or "Not applicable" if appropriate.
- 4 Report must be prepared legibly in ink or by typewriter.

SELECTED FINANCIAL DATA - CLASS A, B, C AND D WATER COMPANIES
2003

NAME OF UTILITY INTERSTATE 5 UTILITY COMPANY, INC.

PHONE (985) 778-1451

PERSON RESPONSIBLE FOR THIS REPORT SANDRA V. STEWARD, CPA

(Prepared from Information in the 2003 Annual Report)

	1/1/2003	12/31/2003	Average
BALANCE SHEET DATA			
1 Intangible Plant	4,320	4,320	4,320
2 Land and Land Rights	-	-	-
3 Depreciable Plant	520,070	520,070	520,070
4 Gross Plant in Service	524,390	524,390	524,390
5 Less: Accumulated Depreciation	(444,082)	(454,569)	(449,326)
6 Net Water Plant in Service	80,308	69,821	75,065
7 Water Plant Held for Future Use	-	-	-
8 Construction Work in Progress	-	-	-
9 Materials and Supplies	-	-	-
10 Less: Advances for Construction	()	()	()
11 Less: Contribution in Aid of Construction	()	()	()
12 Less: Accumulated Deferred Income and Investment Tax Credits	()	()	()
13 Net Plant Investment	<u>80,308</u>	<u>69,821</u>	<u>75,065</u>
 CAPITALIZATION			
14 Common Stock	154,453	154,453	154,453
15 Proprietary Capital (Individual or Partnership)	-	-	-
16 Paid-in Capital	-	-	-
17 Retained Earnings	(19,900)	(65,690)	(42,795)
18 Common Stock and Equity (Lines 14 through 17)	134,553	88,763	111,658
19 Preferred Stock	-	-	-
20 Long-Term Debt	-	-	-
21 Notes Payable	53,232	46,897	50,065
22 Total Capitalization (Lines 18 through 21)	<u>187,785</u>	<u>135,660</u>	<u>161,723</u>

(Revised 2/01)

SELECTED FINANCIAL DATA - CLASS A, B, C AND D WATER COMPANIES
2003
(continued)

NAME OF UTILITY INTERSTATE 5 UTILITY COMPANY, INC. PHONE (985) 778-1451

INCOME STATEMENT

		Annual Amount
23	Unmetered Water Revenue	17,864
24	Fire Protection Revenue	-
25	Irrigation Revenue	-
26	Metered Water Revenue	28,913
27	Total Operating Revenue	46,777
28	<u>Operating Expenses</u>	-
29	Depreciation Expense (Composite Rate _____)	689
30	Amortization and Property Losses	-
31	Property Taxes	1,138
32	Taxes Other Than Income Taxes	371
33	Total Operating Revenue Deduction Before Taxes	2,198
34	California Corp. Franchise Tax	313
35	Federal Corporate Income Tax	-
36	Total Operating Revenue Deduction After Taxes	2,511
37	Net Operating Income (Loss) - California Water Operations	44,266
38	Other Operating and Nonoper. Income and Exp. - Net (Exclude Interest Expense)	(58,751)
39	Income Available for Fixed Charges	(14,485)
40	Interest Expense	-
41	Net Income (Loss) Before Dividends	(14,485)
42	Preferred Stock Dividends	-
43	Net Income (Loss) Available for Common Stock	(14,485)

OTHER DATA

44	Refunds of Advances for Construction	-
45	Total Payroll Charged to Operating Expenses	1,800
46	Purchased Water	-
47	Power	19,892

				Annual Average
<u>Active Service Connections</u>		(Exc. Fire Protect.)	Jan. 1	Dec. 31
48	Metered Service Connections		18	18
49	Flat Rate Service Connections		-	-
50	Total Active Service Connections		18	18

**CLASS B, C AND D WATER COMPANIES
SAFE DRINKING WATER BOND ACT DATA**

Please provide the following information relating to each Safe Drinking Water Bond Act (SDWBA) loan outstanding during the 12 month reporting period. (Use one sheet for each loan.)

1. Current Fiscal Agent: N/A

Name: _____

Address: _____

Phone Number: _____

Date Hired: _____

2. Former Fiscal Agent: N/A

Name: _____

Address: _____

Phone Number: _____

Date Hired: _____

3. Total surcharge collected from customers during the 12 month reporting period:

\$ _____ N/A _____

4. Summary of the trust bank account activities showing: N/A

Balance at beginning of year	\$ _____
Deposits during the year	_____
Withdrawals made for loan payments	_____
Other withdrawals from this account	_____
Balance at end of year	_____

5. Account information: N/A

Bank Name: _____

Account Number: _____

Date Opened: _____

6. Plant amounts included in Schedule A, Account No. 101--Water Plant in Service
 which were funded using SDWBA funds: N/A

Line No.	Acct. No.	Title of Account (a)	Balance Beginning of Year (b)	Plant Additions During Year (c)	Plant Retirements During Year (d)	Other Debits* or (Credits) (e)	Balance End of Year (f)
1		NON-DEPRECIABLE PLANT					
2	301	Intangible plant					
3	303	Land					
4		Total non-depreciable plant					
5		DEPRECIABLE PLANT					
6	304	Structures					
7	307	Wells					
8	317	Other water source plant					
9	311	Pumping equipment					
10	320	Water treatment plant					
11	330	Reservoirs, tanks and sandpipes					
12	331	Water mains					
13	333	Services and meter installations					
14	334	Meters					
15	335	Hydrants					
16	339	Other equipment					
17	340	Office furniture and equipment					
18	341	Transportation equipment					
19		Total depreciable plant					
20		Total water plant in service					

SCHEDULE A - BALANCE SHEET (DECEMBER 31, 2003)

Line	Acct.	Assets	Balance	Acct.	Equity and Liabilities	Balance
1	101	Water plant in service	524,390	201	Common Stock (Corporations only)	154,453
2	103	Water plant held for future use		211	Other paid-in capital (Corporations only)	
3	104	Water plant purchased or sold		215	Retained earnings	35,640
4	105	Water plant construction work in progress		218	Proprietary capital	
5	108	Accumulated depreciation of water plant	(303,956)	224	Long term debt	
6	114	Water plant acquisition adjustments			Current Liabilities	46,898
7	124	Other investments		252	Advances for construction	
8	131	Cash	32,057	253	Other deferred credits	
9	141	Accounts receivable - customers	15,041	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	18,674	283	Accumulated deferred income taxes - other	
13	180	Deferred charges		271	Contributions in aid of construction	232,720
14				272	Accumulated amortization of contributions	(183,505)
15		Total Assets	286,206		Total Equity and Liabilities	286,206

SCHEDULE B - WATER 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	11,170				11,170
19	307	Wells	-				-
20	317	Other water source plant	-				-
21	311	Pumping equipment	36,451				36,451
22	320	Water treatment plant	2,745				2,745
23	330	Reservoirs tanks and sandpipes	-				-
24	331	Water mains	104,164				104,164
25	333	Services and meter installations	-				-
26	334	Meters	4,934				4,934
27	335	Hydrants	296				296
28	339	Other equipment	-				-
29	340	Office furniture and equipment	-				-
30	341	Transportation equipment	-				-
31		Total water plant in service	159,760				159,760

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

SCHEDULE C - RESERVE FOR DEPRECIATION OF UTILITY PLANT

Line	Item	Account 106 Water Plant	Account 106.1 SDWBA Loans	
32	Balance in reserves at beginning of year	121,152		A. Method used to compute depreciation
33	Add: Credits to reserves during year	2,506		expense (Acct. 403) and rate.
34	(a) Charged to Account No. 403	688		SL; 50 YEARS
35	(b) Charged to Account No. 272			
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	3,194		covered by this report \$ 847
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			SL; 15 - 25 YEARS
45	Balance in reserve at end of year	124,346		
46	(1) Explanation of all other credits			
47	(2) Explanation of all other debits			

See accountant's compilation report.

SCHEDULE D - CAPITAL STOCK OUTSTANDING (DECEMBER 31, 2003)

Line	Common - (Shares 153,453 @ \$ 1.00 par)	\$153,453	List persons owning more than 5% of outstanding stock and number of shares owned by each:
1	Common - (Shares 153,453 @ \$ 1.00 par)	\$153,453	
2	Preferred - (Shares , \$ par)		
3	Dividends - Common Rate - \$		
4	- Preferred Rate - \$		JAMES P. SEARS - 100%

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	NOT APPLICABLE							
6								
7								
8	Totals							

SCHEDULE F - INCOME STATEMENT

9	Operating revenues	xxxxxxxxxx
10	460 Unmetered water revenue	17,864
11	462 Fire protection revenue	
12	465 Irrigation revenue	
13	470 Metered water revenue	28,913
14	480 Other water revenue	
15	Total Operating Revenue	46,777
16	Operating revenue deductions	xxxxxxxxxx
17	Operating expenses	xxxxxxxxxx
18	610 Purchased water	
19	615 Power	19,892
20	618 Other volume related expenses	
21	630 Employee labor	
22	640 Materials	
23	650 Contract work	15,254
24	660 Transportation expenses	
25	664 Other plant maintenance expense	6,644
26	670 Office salaries	
27	671 Management salaries	1,800
28	674 Employee pensions and benefits	
29	676 Uncollectible accounts expense	
30	678 Office services and rentals	7,560
31	681 Office supplies and expense	10
32	682 Professional services	1,473
33	684 Insurance	5,833
34	688 Regulatory commission expense	
35	689 General expenses	560
36	Total Operating Expenses	59,026
37	403 Depreciation expense	689
38	407 SDWBA loan amortization expense	
39	408 Taxes other than income taxes	1,509
40	409 State corporate income tax expense	313
41	410 Federal corporate income tax expense	-
42	Total Operating Revenue Deductions	61,537
43	Utility Operating Income	(14,760)
44	421 Non-utility income	275
45	426 Miscellaneous non-utility expense	
46	427 Interest expense	
47	Net Income	(14,485)

SCHEDULE G - SOURCES OF SUPPLY AND WATER DEVELOPED WELLS

Location	No.	Diam. Inch	Depth to water feet	Pumping capacity (g.p.m.)	Annual quantities pumped
I-5 & HWY 58	1	12"	500	175/260	174,827
I-5 & HWY 58	2	12"	500	320	4,195,851

OTHER

Streams or springs location of diversion point	Flow in (Unit)		Annual quantities diverted (Unit)		
	Priority right	Diversions			
NOT APPLICABLE	Claim	Capacity	Max	Min	(Unit)
Purchased water (unit)				Annual quantity	
Supplier:					
NOT APPLICABLE					

SCHEDULE H - OPTIONAL WATER DELIVERED TO METERED CUSTOMERS
(If figures are available) (specify unit)

Classification of service	Max. mo. August	Min. mo. April	Total for year
Residential & business	501,443	218,854	4,370,678
Industrial			
Public authorities			
Irrigation			
Other (specify)			
Total			

SCHEDULE I - 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
48	630	Employee Labor				
49	670	Office salaries				
50	671	Management salaries	1	1,800		1,800
51		Total	1	1,800		1,800

SCHEDULE J - ADVANCES FOR CONSTRUCTION

Balance beginning of year	NOT APPLICABLE
Additions during year	
Subtotal - Beginning balance plus additions during year	
Refunds	
Transfers to Acct. 271 - Contributions in Aid of Construction	
Balance end of year	NOT APPLICABLE

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

Size	Meters	Services
5/8 x 3/4-in		
3/4-in		
1-in	6	
2-in	6	
3-in	6	
Total	18	

SCHEDULE L - METER-TESTING DATA

Number of meters tested during year	
1 Used, before repair...	2
2 Used, after repair	2
3 Fast, requiring refund ..	0
Numbers of meters in service requiring test per General Order No. 103	

SCHEDULE M - SERVICE CONNECTIONS AT END OF YEAR

Classification	Active			Inactive			Total connections	
	Metered	Flat	Total	Metered	Flat	Total	Metered	Flat
Residences								
Industrial								
Other (specify)								
Business	18		18				18	
Subtotal								
Fire protection (Hydrants)								
Total	18		18				18	

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

SCHEDULE N - STORAGE FACILITIES


SCHEDULE O - FOOTAGES OF PIPE (EXCLUDING SERVICE PIPES)

Description	No.	Combined capacity in gallons	Description	2" and under	2 1/4 to 3 1/4	4"	6"	8"	Totals	
										Concrete
Earth			Welded steel							-
Wood			Standard screw							-
Steel - CONCRETE	1	60,000	Cement-asbestos			700	700	4,720		6,120
Other			Plastic							-
METAL WATER	2	80,000	Other (specify)							-
COLL/REV	1	50,000	CLAY SEWER					7,000		7,000
			PVC WATER					1,880		1,880
Total	4	190,000	Total			700	700	13,600		15,000

DECLARATION

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

I, the undersigned (officer, partner or owner) of INTERSTATE 5 UTILITY COMPANY, 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, 2003, to and including December 31, 2003.

X 
 Signed
 PRESIDENT
 X Title
 Date 11-24-03