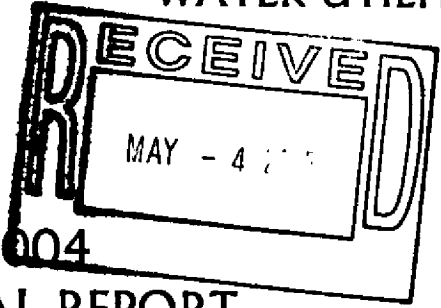


47

Received _____
 Examined _____

CLASS D
 WATER UTILITIES



U# _____

2004
 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, 2004

REPORT MUST BE FILED NOT LATER THAN MARCH 31, 2005
 (FILE TWO COPIES IF THREE RECEIVED)

Sandra V. Steward
CERTIFIED PUBLIC ACCOUNTANT

79 E. Evangeline Oaks Cir.
The Woodlands, TX 77384-5006

sandrastewardcpa@houston.rr.net

(985) 778-1451
Fax (936) 271-4679

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, 2004 and December 31, 2004, and the related statement of water income for the year ended December 31, 2004, 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
April 14, 2005

Account Number	Operating Revenue	
470	Metered	21,369
460	Unmetered	27,246
465	Irrigation	
462-480	Private Fire Protection	
	Total Revenue	48,615
	Operating Expenses	
610	Purchased Water	
615	Purchased Power	20,709
	Pump Taxes	
	Purchased Chemicals	
618	Other Vol. Related exp.	
630	Employee Labor	
640	Materials	
650	Contract Work	14,059
	Water Testing	
660	Transportation Expense	
664	Other Plant Maintenance	5,165
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	27
682	Professional Services	2,592
684	Insurance	4,664
688	Regulatory Expense	
689	General Expense	491
	Subtotal	57,067
403	Depreciation Expense	710
	Ad Valorem Taxes	
	Payroll taxes	
408	Taxes other than income	269
409	State Income Tax	240
410	Federal Income Tax	
	Total Deductions	58,286
	Net Revenue	(9,671)

See accountant's compilation report.

	Rate Base	
	Average Plant	163,660
	Average Depreciation Reserve	126,021
	Net Plant	37,639
	Less: Advances	-
	Less: Contributions	-
	Plus: Construction Work in Progress	-
	Plus: Working Cash	-
	Plus: Material & Supplies	-
	Rate Base	37,639
	ROR=Net Rev/Rate Base	(0.26)

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		May-98
		N/A
		N/A

- 11 List Name, Grade, and License Number of all Licensed Operators:
LOU WOLFE, GRADE 2, 27376 - DISTRIBUTION

SPECIAL INSTRUCTIONS (over)

See accountant's compilation report.

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
2004

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 2004 Annual Report)

	1/1/2004	12/31/2004	Average
BALANCE SHEET DATA			
1 Intangible Plant	4,320	4,320	4,320
2 Land and Land Rights	-	-	-
3 Depreciable Plant	520,070	527,869	523,970
4 Gross Plant in Service	524,390	532,189	528,290
5 Less: Accumulated Depreciation	(454,569)	(465,251)	(459,910)
6 Net Water Plant in Service	69,821	66,938	68,380
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>69,821</u>	<u>66,938</u>	<u>68,380</u>
CAPITALIZATION			
14 Common Stock	154,453	154,453	154,453
15 Proprietary Capital (Individual or Partnership)	-	-	-
16 Paid-in Capital	-	-	-
17 Retained Earnings	(65,690)	(74,762)	(70,226)
18 Common Stock and Equity (Lines 14 through 17)	88,763	79,691	84,227
19 Preferred Stock	-	-	-
20 Long-Term Debt	-	-	-
21 Notes Payable	46,897	37,161	42,029
22 Total Capitalization (Lines 18 through 21)	<u>135,660</u>	<u>116,852</u>	<u>126,256</u>

(Revised 2/01)

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

2004

(continued)

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

INCOME STATEMENT

	Annual Amount
23 Unmetered Water Revenue	27,246
24 Fire Protection Revenue	-
25 Irrigation Revenue	-
26 Metered Water Revenue	21,369
27 Total Operating Revenue	48,615
28 <u>Operating Expenses</u>	
29 Depreciation Expense (Composite Rate _____)	710
30 Amortization and Property Losses	-
31 Property Taxes	262
32 Taxes Other Than Income Taxes	8
33 Total Operating Revenue Deduction Before Taxes	980
34 California Corp. Franchise Tax	240
35 Federal Corporate Income Tax	-
36 Total Operating Revenue Deduction After Taxes	1,220
37 Net Operating Income (Loss) - California Water Operations	47,395
38 Other Operating and Nonoper. Income and Exp. - Net (Exclude Interest Expense)	(56,870)
39 Income Available for Fixed Charges	(9,475)
40 Interest Expense	-
41 Net Income (Loss) Before Dividends	(9,475)
42 Preferred Stock Dividends	-
43 Net Income (Loss) Available for Common Stock	(9,475)

OTHER DATA

44 Refunds of Advances for Construction	-
45 Total Payroll Charged to Operating Expenses	1,800
46 Purchased Water	-
47 Power	20,709

	Active Service Connections	(Exc. Fire Protect.)	Annual		
			Jan. 1	Dec. 31	Average
48 Metered Service Connections	18		19		18.5
49 Flat Rate Service Connections	0		0		-
50 Total Active Service Connections	18		19		18.5

**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, 2004)

Line	Acct.	Assets	Balance	Acct.	Equity and Liabilities	Balance
1	101	Water plant in service	532,189	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	31,228
4	105	Water plant construction work in progress	-	218	Proprietary capital	
5	108	Accumulated depreciation of water plant	(314,600)	224	Long term debt	
6	114	Water plant acquisition adjustments	-		Current Liabilities	37,162
7	124	Other investments	-	252	Advances for construction	
8	131	Cash	29,396	253	Other deferred credits	
9	141	Accounts receivable - customers	16,450	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	10,545	283	Accumulated deferred income taxes - other	
13	180	Deferred charges	-	271	Contributions in aid of construction	239,430
14				272	Accumulated amortization of contributions	(188,293)
15		Total Assets	273,980		Total Equity and Liabilities	273,980

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	7,799			44,250
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	7,799			167,559

* 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	124,346		A. Method used to compute depreciation
33	Add: Credits to reserves during year	2,641		expense (Acct. 403) and rate.
34	(a) Charged to Account No. 403	710		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	3,351		covered by this report \$ 1,042
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	127,697		
46	(1) Explanation of all other credits			
47	(2) Explanation of all other debits			

SCHEDULE D - CAPITAL STOCK OUTSTANDING (DECEMBER 31, 2004)

Line	1	Common - (Shares 153,453 @ \$ 1.00 par)	\$153,453		List persons owning more than 5% of outstanding stock
	2	Preferred - (Shares 0 , \$ par)			and number of shares owned by each:
	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	27,246
11	462	Fire protection revenue	
12	465	Irrigation revenue	
13	470	Metered water revenue	21,369
14	480	Other water revenue	
15		Total Operating Revenue	48,615
16		Operating revenue deductions	xxxxxxxxxx
17		Operating expenses	xxxxxxxxxx
18	610	Purchased water	
19	615	Power	20,709
20	618	Other volume related expenses	
21	630	Employee labor	
22	640	Materials	
23	650	Contract work	14,059
24	660	Transportation expenses	
25	664	Other plant maintenance expense	5,165
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	27
32	682	Professional services	2,592
33	684	Insurance	4,664
34	688	Regulatory commission expense	
35	689	General expenses	491
36		Total Operating Expenses	57,067
37	403	Depreciation expense	710
38	407	SDWBA loan amortization expense	
39	408	Taxes other than income taxes	269
40	409	State corporate income tax expense	240
41	410	Federal corporate income tax expense	
42		Total Operating Revenue Deductions	58,286
43		Utility Operating Income	
44	421	Non-utility income	196
45	426	Miscellaneous non-utility expense	
46	427	Interest expense	
47		Net Income	(9,475)

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	203,060
I-5 & HWY 58	2	12	500	320	4,873,459

OTHER

Streams or springs location of diversion point	Flow in (Unit)		Annual quantities diverted (Unit)	
	Priority right	Diversions		
	Claim	Capacity	Max	Min
NOT APPLICABLE				
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. February	Total for year
Residential & business	528,313	214,569	4,390,569
Industrial			
Public authorities			
Irrigation			
Other (specify)			
Total	528,313	214,569	4,390,569

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	

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

Size	Meters	Services
5/8 x 3/4-in		
3/4-in		
1-in	8	
2-in	6	
3-in	5	
Total	19	

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)								
RETAIL/COMMERCIAL	19		19				19	
Subtotal								
Fire protection (Hydrants)								
Total	19		19				19	

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	2 1/4 to	4"	6"	8"	Totals
				under	3 1/4"				
Concrete			Cast Iron						
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 CO, 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, 2004, to and including December 31, 2004.

X
Signed
PRESIDENT

Title

X
Date

James P. ...

4-29-05