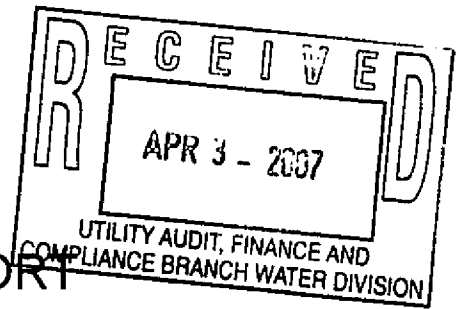


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Received \_\_\_\_\_  
Examined \_\_\_\_\_

CLASS D  
WATER UTILITIES

U# \_\_\_\_\_



2006  
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, 2006

REPORT MUST BE FILED NOT LATER THAN MARCH 31, 2007  
(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.com

(936) 419-6677  
Fax (936) 271-4679

California Public Utilities Commission  
Water Division  
Attention: Kayode Kajopaiye  
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, 2006 and December 31, 2006, and the related statement of water income for the year ended December 31, 2006, and the related supplementary information, 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 supplementary information referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements, including related supplementary information 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  
February 13, 2007

# 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)

Telephone Number: (661) 325-5981

Fax Number: (661) 283-0278

Email Address: N/A

## GENERAL INFORMATION

(Attach a supplementary statement, if necessary)

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?  
 \$2,050 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

Yes	No	Latest Date
<input type="checkbox"/>	<input checked="" type="checkbox"/>	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	WEEKLY
<input checked="" type="checkbox"/>	<input type="checkbox"/>	May-98
<input type="checkbox"/>	<input type="checkbox"/>	N/A
<input type="checkbox"/>	<input type="checkbox"/>	N/A

- 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.
- 11 List Name, Grade, and License Number of all Licensed Operators:  
LOU WOLFE, GRADE 2, 27376 - DISTRIBUTION  
LOU WOLFE, GRADE 2, 21261 - TREATMENT

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 company's 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 .

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)	Registered Asset Account Number
------------	--	-------------------	---	------------------------	---	------------------------	--	---	-------------------------------------	---	---------------------------------

NOT APPLICABLE

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

Please COMPLETE 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.)

NOT APPLICABLE

1. Current Fiscal Agent:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Date Hired: \_\_\_\_\_

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

\$ \_\_\_\_\_

3. Summary of the trust bank account activities showing:

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

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

4. Plant amounts which were funded using SDWBA funds should also be included in Schedule A, Account No. 101--Water Plant in Service

NOT APPLICABLE

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, 2006)**

Line	Acct.	Assets	Balance	Acct.	Equity and Liabilities	Balance
1	101	Water plant in service	534,909	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	66,706
4	105	Water plant construction work in progress	-	218	Proprietary capital	-
5	108	Accumulated depreciation of water plant	(335,996)	224	Long term debt	-
6	114	Water plant acquisition adjustments	-		Current Liabilities	27,693
7	124	Other investments	-	252	Advances for construction	-
8	131	Cash	63,609	253	Other deferred credits	-
9	141	Accounts receivable - customers	16,234	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	11,656	283	Accumulated deferred income taxes - other	-
13	180	Deferred charges	-	271	Contributions in aid of construction	239,430
14				272	Accumulated amortization of contributions	(197,870)
15		<b>Total Assets</b>	<b>290,412</b>		<b>Total Equity and Liabilities</b>	<b>290,412</b>

**SCHEDULE B - WATER PLANT IN SERVICE**

Line	Acct.	Title of Account	Balance Beg of Year	Pit Additions During year	Pit 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	44,250				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		<b>Total water plant in service</b>	<b>167,559</b>				<b>167,559</b>

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

**SCHEDULE C - RESERVE FOR DEPRECIATION OF UTILITY PLANT**

Line	Item	Account 108 Water Plant	Account 106.1 SDWBA Loans	
32	Balance in reserves at beginning of year	131,048		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. 272	710		SL; 50 YEARS
35	(b) Charged to Account No. 403			
36	(c) Charged to Account No. 407			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 \$ 1,237
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; 20-25 YEARS
45	Balance in reserve at end of year	134,399		
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 154,453 @ \$1.00 par)	154,453		List persons owning more than 5% of outstanding stock
2	Preferred - (Shares \$ 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	36,720
11	462 Fire protection revenue	-
12	465 Irrigation revenue	-
13	470 Metered water revenue	21,450
14	480 Other water revenue	-
15	Total Operating Revenue	58,170
16	Operating revenue deductions	xxxxxxxxxx
17	Operating expenses	xxxxxxxxxx
18	610 Purchased water	-
19	615 Purchased power	26,386
20	618 Other volume related expenses	-
21	630 Employee labor	-
22	640 Materials	-
23	650 Contract work	12,471
24	660 Transportation expenses	-
25	664 Other plant maintenance expense	8,616
26	670 Office salaries	-
27	671 Management salaries	2,050
28	674 Employee pensions and benefits	-
29	676 Uncollectible accounts expense	-
30	678 Office services and rentals	6,930
31	681 Office supplies and expense	-
32	682 Professional services	1,924
33	684 Insurance	2,819
34	688 Regulatory commission expense	-
35	689 General expenses	962
36	Total Operating Expenses	62,158
37	403 Depreciation expense	710
38	407 SDWBA loan amortization expense	-
39	408 Taxes other than income taxes	3,263
40	409 State income tax expense	273
41	410 Federal income tax expense	-
42	Total Operating Revenue Deductions	66,404
43	Utility Operating Income	(8,234)
44	421 Non-utility income	1,723
45	426 Miscellaneous non-utility expense	-
46	427 Interest expense	-
47	Net Income	(6,511)



**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	0
I-5 & HWY 58	2	12	500	320	4,579,353

**OTHER**

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

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

Classification of service	Max mo. August	Min. Mo. January	Total for year
Residential & business	695,187	260,463	4,579,353
Industrial/Commercial			
Fire Protection			
Irrigation			
Other (specify)			
<b>Total</b>	<b>695,187</b>	<b>260,463</b>	<b>4,579,353</b>

**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	2,050		2,050
51		Total	1	2,050		2,050

**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	6	
Total	20	

**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/Commercial								
Irrigation								
Fire Protection (public)								
Fire Protection (private)								
Other (specify)								
RETAIL/COMMERCIAL	20		20				20	
Total	20		20				20	

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)**

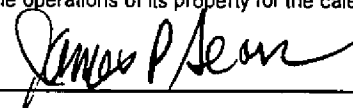
Description	No.	Combined capacity in gallons	Description	Other sizes (specify)				Totals
				2" and under	2 1/4 to 3 1/4	4"	6"	
Concrete			Cast Iron					
Earth			Welded steel					
Wood			Standard screw					
Steel- CONCRETE	1	60,000	Cement-asbestos			700	700	4,720
Other			Plastic					
METAL/WATER	2	80,000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

**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, documents, 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 calendar year.

January 1, 2006 through December 31, 2006.

X   
 Signed  
 President  
 Title  
 X Date 3-28-07