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**CLASS D
WATER UTILITIES**

U# _____

**2008
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, 2008**

REPORT MUST BE FILED NOT LATER THAN MARCH 31, 2009
(FILE TWO COPIES IF THREE RECEIVED)

Sandra V. Steward

CERTIFIED PUBLIC ACCOUNTANT

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Fax (936) 271-4679
sandra@sandrastewardcpa.com

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, 2008 and December 31, 2008, and the related statement of water income for the year ended December 31, 2008, 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 7, 2009

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:

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 provide the name and address of the owner(s) or the partners:
 NOT APPLICABLE

- 3 Name, title, 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?
 \$2,400 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, LP

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

LOU WOLFE, GRADE 2, 21261 - TREATMENT

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 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.03-04-026, 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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NOT APPLICABLE

**CLASS A, B, C AND D WATER COMPANIES
SAFE DRINKING WATER BOND ACT/STATE REVOLVING FUND DATA**

Please provide the following information relating to each Safe Drinking Water Bond Act (SDWBA) or Safe Drinking Water State Revolving Fund loan surcharge collection for the calendar year. Please use one page per loan.

NOT APPLICABLE

1. Current Fiscal Agent:

Name: _____
 Address: _____
 Phone Number: _____
 Account Number: _____
 Date Hired: _____

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

\$ _____

Meter Size	No. of Metered Customers	Monthly Surcharge Per Customer
3/4 inch	_____	_____
1 inch	_____	_____
1 1/2 inch	_____	_____
2 inch	_____	_____
3 inch	_____	_____
4 inch	_____	_____
6 inch	_____	_____
Number of Flat Rate Customers	_____	_____
Total	_____	_____

3. Summary of the bank account activities showing:

Balance at beginning of year	\$ _____
Deposits during the year	_____
Interest earned for calendar year	_____
Withdrawals from this account	_____
Balance at end of year	_____

CLASS A, B, C AND D WATER COMPANIES

SAFE DRINKING WATER BOND ACT/STATE REVOLVING FUND DATA (cont.)

5. Plant amounts included in Schedule A-1a, Account No. 101--Water Plant in Service which were funded using SDWBA or SRF funds:

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, 2008)

Line	Acct.	Assets	Balance	Acct.	Equity and Liabilities	Balance
1	101	Water plant in service	556,297	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	78,665
4	105	Water plant construction work in progress	-	218	Proprietary capital	-
5	108	Accumulated depreciation of water plant	(357,821)	224	Long term debt	-
6	114	Water plant acquisition adjustments	-		Current Liabilities	2,809
7	124	Other investments	-	252	Advances for construction	-
8	131	Cash	34,486	253	Other deferred credits	-
9	141	Accounts receivable - customers	15,789	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	19,159	283	Accumulated deferred income taxes - other	-
13	180	Deferred charges	-	271	Contributions in aid of construction	239,430
14				272	Accumulated amortization of contributions	(207,447)
15		Total Assets	267,910		Total Equity and Liabilities	267,910

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	44,250	15,303			59,553
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	6,085			11,019
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	167,559				188,947

* 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	137,750		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	1,138		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	3,779		covered by this report \$ 12,244
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	141,529		
46	(1) Explanation of all other credits			
47	(2) Explanation of all other debits			

SCHEDULE D - CAPITAL STOCK OUTSTANDING (DECEMBER 31, 2008)

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	33,880
11	462	Fire protection revenue	-
12	465	Irrigation revenue	-
13	470	Metered water revenue	26,598
14	480	Other water revenue	-
15		Total Operating Revenue	60,478
16		Operating revenue deductions	xxxxxxxxxx
17		Operating expenses	xxxxxxxxxx
18	610	Purchased water	-
19	615	Purchased power	23,577
20	618	Other volume related expenses	-
21	630	Employee labor	-
22	640	Materials	3,544
23	650	Contract work	15,441
24	660	Transportation expenses	-
25	664	Other plant maintenance expense	5,835
26	670	Office salaries	-
27	671	Management salaries	2,400
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	8
32	682	Professional services	5,620
33	684	Insurance	2,985
34	688	Regulatory commission expense	-
35	689	General expenses	21
36		Total Operating Expenses	66,991
37	403	Depreciation expense	1,138
38	407	SDWBA loan amortization expense	-
39	408	Taxes other than income taxes	3,677
40	409	State income tax expense	280
41	410	Federal income tax expense	-
42		Total Operating Revenue Deductions	72,086
43		Utility Operating Income	(11,608)
44	421	Non-utility income	1,389
45	426	Miscellaneous non-utility expense	-
46	427	Interest expense	-
47		Net income	(10,219)

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	250	175/260	0
I-5 & HWY 58	2	12	500	320	4,815,839

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

WATER DELIVERED TO METERED CUSTOMERS

(If figures are available) (specify unit)

Classification of service	Max mo. August	Min. Mo. January	Total for year
Residential	614,371	258,256	4,815,839
Commercial			
Industrial			
Fire Protection			
Irrigation			
Other (specify)			
Total	614,371	258,256	4,815,839

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	2,400	-	2,400
51		Total	1	2,400	-	2,400

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...	3
2	Used, after repair	3
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	2" and under				Totals
				2 1/4 to 3 1/4	4"	Other sizes (specify)		
Concrete			Cast Iron					
Earth			Welded steel					
Wood			Standard screw					
Steel			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	3	130,000	Total		700	700	13,600	

DECLARATION

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

I, the undersigned officer 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, 2008 through December 31, 2008.

Doris J. Seave
 Signed
 VICE President
 Title
 2/19/09
 Date

FACILITIES FEES DATA

NOT APPLICABLE

Please provide the following information relating to Facilities Fees collected for the calendar year, pursuant to Resolution No. W-4110.

1. Trust Account Information:

Bank Name: _____
 Address: _____
 Account Number: _____
 Date Opened: _____

2. Facilities Fees collected for new connections during the calendar year:

A. Commerical

NAME	AMOUNT
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

B. Residential

NAME	AMOUNT
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

3. Summary of the bank account activities showing:

Balance at beginning of year	\$ _____
Deposits during the year	_____
Interest earned for calendar year	_____
Withdrawals from this account	_____
Balance at end of year	_____

4. Reason or Purpose of Withdrawal from this bank account:

