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SEWER UTILITIES

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**2002
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, 2002**

**REPORT MUST BE FILED NOT LATER THAN MARCH 31, 2003
(FILE TWO COPIES IF THREE RECEIVED)**

Sandra V. Steward

CERTIFIED PUBLIC ACCOUNTANT

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

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(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, 2002 and December 31, 2002, and the related statement of sewer income for the year ended December 31, 2002, 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

CLASS D SEWER 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?
 \$5,110 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-02
		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 - Sewer 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 D SEWER COMPANIES
2002

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 2002 Annual Report)

	1/1/2002	12/31/2002	Average
BALANCE SHEET DATA			
1 Intangible Plant	4,320	4,320	4,320
2 Land and Land Rights	-	-	-
3 Depreciable Plant	508,745	520,070	514,408
4 Gross Plant in Service	513,065	524,390	518,728
5 Less: Accumulated Depreciation	(433,878)	(444,082)	(438,980)
6 Net Water Plant in Service	79,187	80,308	79,748
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>79,187</u>	<u>80,308</u>	<u>79,748</u>
 CAPITALIZATION			
14 Common Stock	154,453	154,453	154,453
15 Proprietary Capital (Individual or Partnership)			-
16 Paid-in Capital			-
17 Retained Earnings	9,805	(19,900)	(5,048)
18 Common Stock and Equity (Lines 14 through 17)	164,258	134,553	149,405
19 Preferred Stock			-
20 Long-Term Debt			-
21 Notes Payable	44,708	53,232	48,970
22 Total Capitalization (Lines 18 through 21)	<u>208,966</u>	<u>187,785</u>	<u>198,375</u>

(Revised 10/97)

INCOME STATEMENT

	Annual Amount
23 Unmetered Revenue	
24 Metered Revenue	<u>78,672</u>
25 Total Operating Revenue	<u>78,672</u>
26 <u>Operating Expenses</u>	
27 Depreciation Expense (Composite Rate _____)	<u>5,145</u>
28 Amortization and Property Losses	
29 Property Taxes	<u>2,583</u>
30 Taxes Other Than Income Taxes	<u>2,714</u>
31 Total Operating Revenue Deduction Before Taxes	<u>10,442</u>
32 California Corp. Franchise Tax	<u>528</u>
33 Federal Corporate Income Tax	-
34 Total Operating Revenue Deduction After Taxes	<u>10,970</u>
35 Net Operating Income (Loss) - California Water Operations	<u>67,702</u>
36 Other Operating and Nonoper. Income and Exp. - Net (Exclude Interest Expense)	<u>(77,733)</u>
37 Income Available for Fixed Charges	<u>(10,031)</u>
38 Interest Expense	-
39 Net Income (Loss) Before Dividends	<u>(10,031)</u>
40 Preferred Stock Dividends	-
41 Net Income (Loss) Available for Common Stock	<u>(10,031)</u>

OTHER DATA

42 Refunds of Advances for Construction	
43 Total Payroll Charged to Operating Expenses	<u>5,110</u>
44 Purchased Water	
45 Power	<u>23,331</u>

Active Service Connections (Exc. Fire Protect.) _____

	Jan. 1	Dec. 31	Annual Average
46 Metered Service Connections	18	18	18
47 Flat Rate Service Connections			
48 Total Active Service Connections	18	18	18

SCHEDULE A - BALANCE SHEET (DECEMBER 31, 2002)

Line	Acct.	Assets	Balance	Acct.	Equity and Liabilities	Balance
1	101	Plant in service	524,390	201	Common Stock (Corporations only)	154,453
2	103	Plant held for future use		211	Other paid-in capital (Corporations only)	
3	104	Plant purchased or sold		215	Retained earnings	76,776
4	105	Plant construction work in progress		218	Proprietary capital	
5	108	Accumulated depreciation of plant	(293,469)	224	Long term debt	
6	114	Plant acquisition adjustments			Current Liabilities	53,232
7	124	Other investments		252	Advances for construction	
8	131	Cash	88,431	253	Other deferred credits	
9	141	Accounts receivable - customers	15,114	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	3,865	283	Accumulated deferred income taxes - other	
13	180	Deferred charges		271	Contributions in aid of construction	232,720
14				272	Accumulated amortization of contributions	(178,850)
15		Total Assets	338,331		Total Equity and Liabilities	338,331

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	4,320				4,320
17	303	Land	-				-
18	304	Structures	86,925				86,925
19	307	Wells	20,641				20,641
20	317	Other source plant	-				-
21	311	Pumping equipment	57,538				57,538
22	320	Treatment plant	178,411				178,411
23	330	Reservoirs	13,075				13,075
24	331	Mains	3,145				3,145
25	333	Services and meter installations	-				-
26	334	Meters	-				-
27	339	Other equipment	-				-
28	340	Office furniture and equipment	-				-
29	341	Transportation equipment	575				575
30		Total Plant in service	364,630	-	-	-	364,630

* 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	165,026	A. Method used to compute depreciation
33	Add: Credits to reserves during year	2,148	expense (Acct. 403) and rate.
34	(a) Charged to Account No. 403	5,145	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	7,293	covered by this report \$ 9,640
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	0	SL; 15-25 YEARS
45	Balance in reserve at end of year	172,319	
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, 2002)

Line				
1	Common - (Shares 153,453 @ \$ 1.00 par)	\$ 153,453		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	xxxxxxxxxxx
10	460 Unmetered revenue	
11	470 Metered revenue	78,672
12	480 Other revenue	917
13	Total Operating Revenue	79,589
14	Operating revenue deductions	xxxxxxxxxxx
15	Operating expenses	xxxxxxxxxxx
16	610 Purchased water	
17	615 Power	23,331
18	618 Other volume related expenses	
19	630 Employee labor	
20	640 Materials	
21	650 Contract work	16,882
22	660 Transportation expenses	
23	664 Other plant maintenance expense	1,950
24	670 Office salaries	
25	671 Management salaries	5,110
26	674 Employee pensions and benefits	
27	676 Uncollectible accounts expense	263
28	678 Office services and rentals	17,710
29	681 Office supplies and expense	60
30	682 Professional services	6,108
31	684 Insurance	6,186
32	688 Regulatory commission expense	-
33	689 General expenses	1,050
34	Total Operating Expenses	78,650
35	403 Depreciation expense	5,145
36	408 Taxes other than income taxes	5,297
37	409 State corporate income tax expense	528
38	410 Federal corporate income tax expense	-
39	Total Operating Revenue Deductions	89,620
40	Utility Operating Income	(10,031)
41	421 Non-utility income	
42	426 Miscellaneous non-utility expense	
43	427 Interest expense	
44	Net Income	(10,031)

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				
46	670	Office salaries				
47	671	Management salaries	1	5,110		5,110
48		Total	1	5,110		5,110

SCHEDULE H - 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.

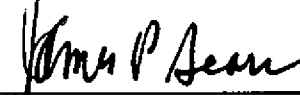
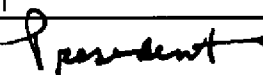
SCHEDULE N - STORAGE FACILITIES

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

(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, 2002, to and including DECEMBER 31, 2002.

X 
 Signed
 PRESIDENT
 Title
 X 
 Date
 11-24-04