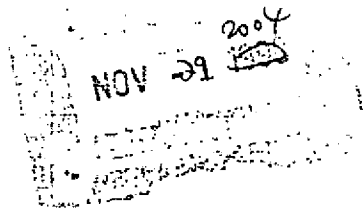


Received \_\_\_\_\_  
Examined \_\_\_\_\_

**SEWER UTILITIES**

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



**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**

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, 2003 and December 31, 2003, and the related statement of sewer 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

# 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?  
 \$4,200 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 - 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  
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)

| <b>BALANCE SHEET DATA</b> |  | <b>1/1/2003</b> | <b>12/31/2003</b> | <b>Average</b> |
|---------------------------|--|-----------------|-------------------|----------------|
| 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   | 80,308          | 69,821            | 75,065         |
| <br><b>CAPITALIZATION</b> |  |                 |                   |                |
| 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)                   | 187,785         | 135,660           | 161,723        |

(Revised 10/97)

**INCOME STATEMENT**

|  | Annual<br>Amount |
|--|------------------|
| 23 Unmetered Revenue   | 53,276           |
| 24 Metered Revenue   | 19,340           |
| 25 Total Operating Revenue   | <u>72,616</u>    |
| 26 <u>Operating Expenses</u>   |                  |
| 27 Depreciation Expense (Composite Rate _____)                                   | 5,145            |
| 28 Amortization and Property Losses  |                  |
| 29 Property Taxes  | 2,655            |
| 30 Taxes Other Than Income Taxes   | 2,851            |
| 31 Total Operating Revenue Deduction Before Taxes                                | <u>10,651</u>    |
| 32 California Corp. Franchise Tax  | 487              |
| 33 Federal Corporate Income Tax  | -                |
| 34 Total Operating Revenue Deduction After Taxes                                 | <u>11,138</u>    |
| 35 Net Operating Income (Loss) - California Water Operations                     | 61,478           |
| 36 Other Operating and Nonoper. Income and Exp. - Net (Exclude Interest Expense) | <u>(88,130)</u>  |
| 37 Income Available for Fixed Charges  | <u>(26,652)</u>  |
| 38 Interest Expense  | -                |
| 39 Net Income (Loss) Before Dividends  | <u>(26,652)</u>  |
| 40 Preferred Stock Dividends   | -                |
| 41 Net Income (Loss) Available for Common Stock                                  | <u>(26,652)</u>  |

**OTHER DATA**

|  |               |
|--|---------------|
| 42 Refunds of Advances for Construction        |               |
| 43 Total Payroll Charged to Operating Expenses | <u>4,200</u>  |
| 44 Purchased Water                             |               |
| 45 Power                                       | <u>21,176</u> |

| <u>Active Service Connections</u>   | (Exc. Fire Protect.) _____ | Jan. 1 | Dec. 31 | Annual<br>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, 2003)**

| 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                           | 35,640         |
| 4    | 105   | Plant construction work in progress   |                | 218   | Proprietary capital                         |                |
| 5    | 108   | Accumulated depreciation of plant     | (303,956)      | 224   | Long term debt                              |                |
| 6    | 114   | 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   |       | <b>Total Assets</b>                   | <b>286,206</b> |       | <b>Total Equity and Liabilities</b>         | <b>286,206</b> |

**SCHEDULE B - SEWER PLANT IN SERVICE**

| Line | Acct | Title of Account                 | Balance<br>Beg of Year | Plt Additions<br>During year | Plt Retirements<br>During year | Other Debits<br>or (Credits) | Balance<br>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   |      | <b>Total Plant in service</b>    | <b>364,630</b>         |                              |                                |                              | <b>364,630</b>         |

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

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

| Line | Item                                     | Account 106<br>Plant |   |
|------|--|----------------------|---|
| 32   | Balance in reserves at beginning of year | 172,319              | 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           | 5,144                | 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   | <b>Total credits</b>                     | <b>7,292</b>         | <b>covered by this report \$ 9,640</b>      |
| 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   | <b>Total debits</b>                      |                      | <b>SL; 15-25 YEARS</b>                      |
| 45   | <b>Balance in reserve at end of year</b> | <b>179,611</b>       |   |
| 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 |   |            |  |   |
|------|---|------------|--|---|
| 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                   | xxxxxxxxxx |
| 10 | 460 | Unmetered revenue                    | 53,276     |
| 11 | 470 | Metered revenue                      | 19,340     |
| 12 | 480 | Other revenue                        |            |
| 13 |     | Total Operating Revenue              | 72,616     |
| 14 |     | Operating revenue deductions         | xxxxxxxxxx |
| 15 |     | Operating expenses                   | xxxxxxxxxx |
| 16 | 610 | Purchased water                      |            |
| 17 | 615 | Power                                | 21,176     |
| 18 | 618 | Other volume related expenses        |            |
| 19 | 630 | Employee labor                       |            |
| 20 | 640 | Materials                            |            |
| 21 | 650 | Contract work                        | 26,779     |
| 22 | 660 | Transportation expenses              |            |
| 23 | 664 | Other plant maintenance expense      | 880        |
| 24 | 670 | Office salaries                      |            |
| 25 | 671 | Management salaries                  | 4,200      |
| 26 | 674 | Employee pensions and benefits       |            |
| 27 | 676 | Uncollectible accounts expense       |            |
| 28 | 678 | Office services and rentals          | 17,640     |
| 29 | 681 | Office supplies and expense          | 24         |
| 30 | 682 | Professional services                | 3,437      |
| 31 | 684 | Insurance                            | 13,610     |
| 32 | 688 | Regulatory commission expense        |            |
| 33 | 689 | General expenses                     | 568        |
| 34 |     | Total Operating Expenses             | 88,314     |
| 35 | 403 | Depreciation expense                 | 5,145      |
| 36 | 408 | Taxes other than income taxes        | 5,506      |
| 37 | 409 | State corporate income tax expense   | 487        |
| 38 | 410 | Federal corporate income tax expense |            |
| 39 |     | Total Operating Revenue Deductions   | 99,452     |
| 40 |     | Utility Operating Income             | (26,836)   |
| 41 | 421 | Non-utility income                   | 184        |
| 42 | 426 | Miscellaneous non-utility expense    |            |
| 43 | 427 | Interest expense                     |            |
| 44 |     | Net Income                           | (26,652)   |

**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                     | 4,200                       |                                    | 4,200                         |
| 48   |      | Total               | 1                     | 4,200                       |                                    | 4,200                         |



**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.

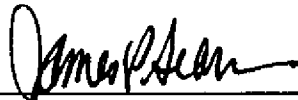
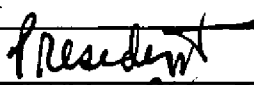
**SCHEDULE N - STORAGE FACILITIES**

**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, 2003, to and including December 31, 2003.

X   
 Signed  
 PRESIDENT  
 Title  
 X   
 Date  
 11-24-04