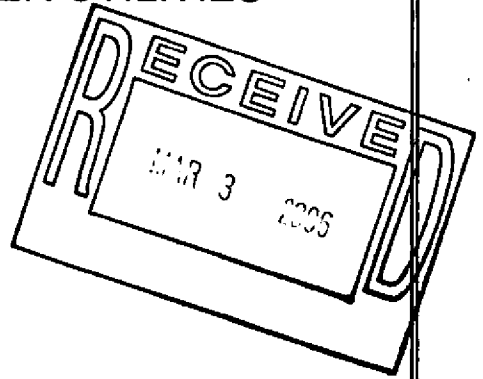


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Received _____
Examined _____

SEWER UTILITIES

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



2005  
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, 2005

REPORT MUST BE FILED NOT LATER THAN MARCH 31, 2006  
(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, 2005 and December 31, 2005, and the related statement of sewer income for the year ended December 31, 2005, 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  
February 17, 2006

# 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 BUTTOWILLOW, 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?  
\$4,550 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	N/A
X		Weekly
X		May-98
		N/A
		N/A

- 11 List Name, Grade, and License Number of all Licensed Operators:

LOU WOLFE, GRADE 2, 11-8337 (WASTEWATER)

LOU WOLFE, GRADE 2, 21261 (TREATMENT)

See accountant's compilation report.

SELECTED FINANCIAL DATA - CLASS D SEWER COMPANIES  
2005

NAME OF UTILITY INTERSTATE 5 UTILITY COMPANY, INC.

PHONE (936) 419-6677

PERSON RESPONSIBLE FOR THIS REPORT SANDRA V. STEWARD, CPA

(Prepared from Information in the 2005 Annual Report)

	1/1/2005	12/31/2005	Average
<b>BALANCE SHEET DATA</b>			
1 Intangible Plant	4,320	4,320	4,320
2 Land and Land Rights	-	-	-
3 Depreciable Plant	527,869	530,589	529,229
4     Gross Plant in Service	532,189	534,909	533,549
5 Less: Accumulated Depreciation	(465,251)	(478,849)	(472,050)
6     Net Water Plant in Service	66,938	56,060	61,499
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>66,938</u>	<u>56,060</u>	<u>61,499</u>
 <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	(74,762)	(68,052)	(71,407)
18     Common Stock and Equity (Lines 14 through 17)	79,691	86,401	83,046
19 Preferred Stock	-	-	-
20 Long-Term Debt	-	-	-
21 Notes Payable	37,161	27,252	32,207
22 Total Capitalization (Lines 18 through 21)	<u>116,852</u>	<u>113,653</u>	<u>115,253</u>

(Revised 10/97)

See accountant's compilation report.

**INCOME STATEMENT**

	Annual Amount
23 Unmetered Revenue	105,165
24 Metered Revenue	-
25 Total Operating Revenue	105,165
26 <u>Operating Expenses</u>	
27 Depreciation Expense (Composite Rate _____)	5,199
28 Amortization and Property Losses	
29 Property Taxes	708
30 Taxes Other Than Income Taxes	6,655
31 Total Operating Revenue Deduction Before Taxes	12,562
32 California Corp. Franchise Tax	560
33 Federal Corporate Income Tax	-
34 Total Operating Revenue Deduction After Taxes	13,122
35 Net Operating Income (Loss) - California Water Operations	92,043
36 Other Operating and Nonoper. Income and Exp. - Net (Exclude Interest Expense)	77,731
37 Income Available for Fixed Charges	14,312
38 Interest Expense	-
39 Net Income (Loss) Before Dividends	14,312
40 Preferred Stock Dividends	-
41 Net Income (Loss) Available for Common Stock	14,312

**OTHER DATA**

42 Refunds of Advances for Construction	-
43 Total Payroll Charged to Operating Expenses	4,550
44 Purchased Water	-
45 Power	19,879

<u>Active Service Connections</u>	(Exc. Fire Protect.) _____	Jan. 1	Dec. 31	Annual Average
46 Metered Service Connections		-	-	-
47 Flat Rate Service Connections		19	20	19.5
48 Total Active Service Connections		19	20	19.5



**SCHEDULE A - BALANCE SHEET (DECEMBER 31, 2005)**

Line	Acct.	Assets	Balance	Acct.	Equity and Liabilities	Balance
1	101	Plant in service	534,909	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	45,290
4	105	Plant construction work in progress	-	218	Proprietary capital	-
5	108	Accumulated depreciation of plant	(325,298)	224	Long term debt	-
6	114	Plant acquisition adjustments	-		Current Liabilities	27,253
7	124	Other investments	-	252	Advances for construction	-
8	131	Cash	33,972	253	Other deferred credits	-
9	141	Accounts receivable - customers	17,586	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	12,175	283	Accumulated deferred income taxes - other	-
13	180	Deferred charges	-	271	Contributions in aid of construction	239,430
14				272	Accumulated amortization of contributions	(193,082)
15		Total Assets	273,344		Total Equity and Liabilities	273,344

**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	2,719			60,257
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	2,719			367,349

\* 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	186,904	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	5,199	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	7,347	covered by this report \$ 12,359
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; 7-25 YEARS
45	Balance in reserve at end of year	194,251	
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, 2005)**

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	105,165
11	470	Metered revenue	-
12	480	Other revenue	-
13		Total Operating Revenue	105,165
14		Operating revenue deductions	xxxxxxxxxxx
15		Operating expenses	xxxxxxxxxxx
16	610	Purchased water	
17	615	Power	19,879
18	618	Other volume related expenses	-
19	630	Employee labor	-
20	640	Materials	-
21	650	Contract work	20,495
22	660	Transportation expenses	-
23	664	Other plant maintenance expense	2,494
24	670	Office salaries	-
25	671	Management salaries	4,550
26	674	Employee pensions and benefits	-
27	676	Uncollectible accounts expense	-
28	678	Office services and rentals	19,110
29	681	Office supplies and expense	-
30	682	Professional services	4,955
31	684	Insurance	6,001
32	688	Regulatory commission expense	-
33	689	General expenses	247
34		Total Operating Expenses	77,731
35	403	Depreciation expense	5,199
36	408	Taxes other than income taxes	7,363
37	409	State corporate income tax expense	560
38	410	Federal corporate income tax expense	-
39		Total Operating Revenue Deductions	90,853
40		Utility Operating Income	14,312
41	421	Non-utility income	-
42	426	Miscellaneous non-utility expense	-
43	427	Interest expense	-
44		Net Income	14,312

**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	4,550		4,550
48		Total	1	4,550		4,550

See accountant's compilation report.



**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	

**SCHEDULE I - TOTAL METERS AND SERVICES (active and inactive)**

Size	Meters	Services
1-in	8	
2-in	6	
3-in	6	
-in		
-in		
Total	20	

**SCHEDULE J - METER-TESTING DATA**

Number of meters tested during year		
1	Used, before repair...	2
2	Used, after repair .....	2
3	Fast, requiring refund ..	0

**SCHEDULE K - 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		20	20					20
Total		20	20					20

NOTE: Total connections (metered plus flat) should agree with total services in Schedule K.

**SCHEDULE L - STORAGE FACILITIES**

**SCHEDULE M - FOOTAGES OF PIPE (EXCLUDING SERVICE PIPES)**

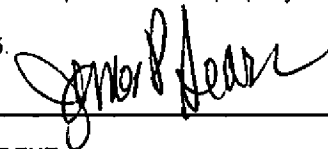
Description	No.	Combined capacity in gallons	Description	2" and	2 1/4 to	4"	Other sizes (specify)		Totals
				under	3 1/4		6"	8"	
Concrete			Cast Iron						
Earth			Welded steel						
Wood			Standard screw						
Steel-CONCRETE	1	60,000	Cement-asbestos			700	700	4,720	6,120
Other			Plastic						
METAL/WATER	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, 2005, to and including December 31, 2005.

X   
 Signed  
 PRESIDENT  
 Title  
 X 3-1-06  
 Date