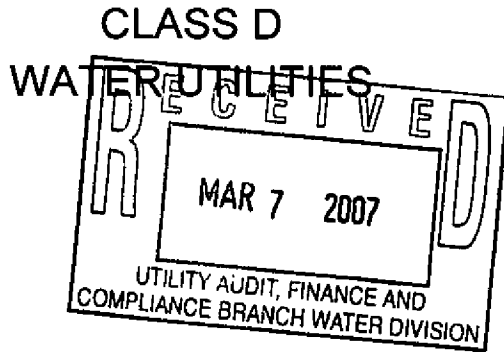


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| Received | _____ |
| Examined | _____ |



U# _____

2006
ANNUAL REPORT
OF

WEST SAN MARTIN WATER WORKS, INC.

(NAME UNDER WHICH CORPORATION, PARTNERSHIP, OR INDIVIDUAL IS DOING BUSINESS)

1005 HIGHLAND AVENUE, SAN MARTIN, CA 95046

(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)

INSTRUCTIONS

1. One completed copy of this report (two copies if three received) must be filed NOT LATER THAN MARCH 31, following the year covered by the report, with:

**CALIFORNIA PUBLIC UTILITIES COMMISSION
WATER DIVISION
ATTN: Kayode Kajoypaiye
505 VAN NESS AVENUE, ROOM 3105
SAN FRANCISCO, CALIFORNIA 94102-3298**

2. Failure to file the report on time may subject a utility to the penalties and sanctions provided by the Public Utilities Code.
3. The Oath, on the last page, must be signed by an officer, partner or owner.
4. The report must be prepared in ink, typed or computer generated.
5. The report must be filled in, and every question answered. LEAVE NO SCHEDULE BLANK. Insert the words "none" or "not applicable" or "n/a" when appropriate.
6. Certain balance sheet and income statement accounts flow to supplemental schedules. The totals of the details in the latter must agree with the balances of the accounts to which they refer.
7. Some schedules provide for a "balance at beginning of year." The amount shown should agree with the "balance at end of year" as shown in the report for the previous year. If there is a difference it should be explained by footnote.
8. When there is insufficient space in a schedule to permit a complete statement of the requested information, insert sheets should be prepared and identified by the number of the schedule to which it refers. Be certain that the inserts are securely attached to the report.
9. This report must cover a calendar year, from January 1 through December 31. Fiscal year reports will not be accepted.

CLASS D WATER UTILITIES
(HAVING LESS THAN 500 SERVICE CONNECTIONS)

WEST SAN MARTIN WATER WORKS, INC.
(Name under which corporation, partnership or individual is doing business)

1005 HIGHLAND AVENUE, SAN MARTIN CA 95046
(Official mailing address)

WEST SAN MARTIN, COUNTY OF SANTA CLARA
(Service area-town and county)

Telephone Number:

Fax Number:

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: 11/22/1967 incorporated in the State of: CALIFORNIA
 (B) Names, titles and addresses of principal officers: ROBERT UKESTAD, PRESIDENT
ROYANNE UKESTAD, SECRETARY/TREASURER, 1005 HIGHLAND AVENUE, SAN MARTIN, CA 95046
- 2 If unincorporated provide the name and address of the owner(s) or the partners:

- 3 Name, title, and telephone number of:
 (A) One person listed above to receive correspondence: ROYANNE UKESTAD (408) 683-2098
 (B) Person responsible for operations and services: ROBERT UKESTAD
- 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) NO
 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 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:

PUBLIC HEALTH STATUS

| Yes | No | Latest Date |
|-----|----|-------------|
| | X | |
| X | | Dec-06 |
| X | | |
| | | |
| | | |

- 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:
ROBERT UKESTAD, GRADE D-2, LICENSE NUMBER: 31578

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 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.

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 Requisitioned Assets used in the provision of a Non-Tariffed Good/Service (by account) | Regulated Asset Account Number |
|------------|--|-------------------|---|------------------------|---|------------------------|--|---|-------------------------------------|---|--------------------------------|
| | | | | | | | | | | | |

N/A

**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.)

1. Current Fiscal Agent:

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

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

\$ _____ N/A

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

| 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 | | | N/A | | |
| 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 | 1,844,921 | 201 | Common Stock (Corporations only) | 15,794 |
| 2 | 103 | Water plant held for future use | | 211 | Other paid-in capital (Corporations only) | 44,570 |
| 3 | 104 | Water plant purchased or sold | | 215 | Retained earnings | 76,669 |
| 4 | 105 | Water plant construction work in progress | | 218 | Proprietary capital | |
| 5 | 108 | Accumulated depreciation of water plant | (936,599) | 224 | Long term debt | |
| 6 | 114 | Water plant acquisition adjustments | 7,986 | | Current Liabilities | 25,169 |
| 7 | 124 | Other investments | | 252 | Advances for construction | 158,073 |
| 8 | 131 | Cash | 57,557 | 253 | Other deferred credits | 21,632 |
| 9 | 141 | Accounts receivable - customers | 37,311 | 255 | Accumulated deferred investment tax credits | |
| 10 | 142 | Receivables from associated companies | | 282 | Accumulated deferred income taxes - Acrs | |
| 11 | 151 | Materials and supplies | 3,171 | | depreciation | |
| 12 | 174 | Other current assets | 28,101 | 283 | Accumulated deferred income taxes - other | |
| 13 | 180 | Deferred charges | 11,841 | 271 | Contributions in aid of construction | 1,366,010 |
| 14 | | | | 272 | Accumulated amortization of contributions | (653,628) |
| 15 | | Total Assets | 1,054,289 | | Total Equity and Liabilities | 1,054,289 |

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 | 4,272 | | | | 4,272 |
| 17 | 303 | Land | 4,030 | | | | 4,030 |
| 18 | 304 | Structures | 1,409 | | | | 1,409 |
| 19 | 307 | Wells | 60,644 | | | | 60,644 |
| 20 | 317 | Other water source plant | | | | | |
| 21 | 311 | Pumping equipment | 101,581 | 5,518 | | | 107,099 |
| 22 | 320 | Water treatment plant | | | | | |
| 23 | 330 | Reservoirs tanks and sandpipes | 158,670 | | | | 158,670 |
| 24 | 331 | Water mains | 1,307,683 | 73,080 | | | 1,380,763 |
| 25 | 333 | Services and meter installations | 15,140 | 6,600 | | | 21,740 |
| 26 | 334 | Meters | 53,795 | 1,364 | | | 55,159 |
| 27 | 335 | Hydrants | 3,810 | 11,200 | | | 15,010 |
| 28 | 339 | Other equipment | 20,146 | | | | 20,146 |
| 29 | 340 | Office furniture and equipment | 10,078 | | | | 10,078 |
| 30 | 341 | Transportation equipment | 5,901 | | | | 5,901 |
| 31 | | Total water plant in service | 1,747,159 | 97,762 | | | 1,844,921 |

* 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 Plan1 | Account 106.1 SDWBA Loans | |
|------|--|----------------------------|------------------------------|---|
| 32 | Balance in reserves at beginning of year | 891,849 | | A. Method used to compute depreciation |
| 33 | Add: Credits to reserves during year | | | expense (Acct. 403) and rate. |
| 34 | (a) Charged to Account No. 272 | 32,928 | | STRAIGHT LINE - 2.5% |
| 35 | (b) Charged to Account No. 403 | 11,822 | | |
| 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 | 44,750 | | covered by this report \$ 17,947 |
| 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: SL, 200DB |
| 44 | Total debits | 0 | | |
| 45 | Balance in reserve at end of year | 936,599 | | |
| 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 1200 | \$13.16 | par) | 15,794 | List persons owning more than 5% of outstanding stock and number of shares owned by each: ROBERT UKESTAD: 600 ROYANNE UKESTAD: 600 |
| 2 | Preferred - (Shares | \$ | par) | | |
| 3 | Dividends - Common | Rate - \$ | | | |
| 4 | - Preferred | Rate - \$ | | | |

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 | | | | | | | | |
| 6 | | | | | | | | |
| 7 | | | | | | | | |
| 8 | Totals | | | | | | | |

SCHEDULE F - INCOME STATEMENT

| | | |
|----|---------------------------------------|------------|
| 9 | Operating revenues | xxxxxxxxxx |
| 10 | 460 Unmetered water revenue | |
| 11 | 462 Fire protection revenue | 599 |
| 12 | 465 Irrigation revenue | |
| 13 | 470 Metered water revenue | 294,491 |
| 14 | 480 Other water revenue | 4,131 |
| 15 | Total Operating Revenue | 299,221 |
| 16 | Operating revenue deductions | xxxxxxxxxx |
| 17 | Operating expenses | xxxxxxxxxx |
| 18 | 610 Purchased water | |
| 19 | 615 Purchased power | 58,285 |
| 20 | 618 Other volume related expenses | 93,008 |
| 21 | 630 Employee labor | 16,200 |
| 22 | 640 Materials | 2,013 |
| 23 | 650 Contract work | 9,444 |
| 24 | 660 Transportation expenses | 2,602 |
| 25 | 664 Other plant maintenance expense | 7,589 |
| 26 | 670 Office salaries | 16,800 |
| 27 | 671 Management salaries | 26,400 |
| 28 | 674 Employee pensions and benefits | 14,317 |
| 29 | 676 Uncollectible accounts expense | 0 |
| 30 | 678 Office services and rentals | 9,000 |
| 31 | 681 Office supplies and expense | 7,478 |
| 32 | 682 Professional services | 7,216 |
| 33 | 684 Insurance | 5,676 |
| 34 | 688 Regulatory commission expense | 4,922 |
| 35 | 689 General expenses | 1,708 |
| 36 | Total Operating Expenses | 282,658 |
| 37 | 403 Depreciation expense | 11,822 |
| 38 | 407 SDWBA loan amortization expense | 0 |
| 39 | 408 Taxes other than income taxes | 11,885 |
| 40 | 409 State income tax expense | 800 |
| 41 | 410 Federal income tax expense | 0 |
| 42 | Total Operating Revenue Deductions | 307,165 |
| 43 | Utility Operating Income (Loss) | (7,944) |
| 44 | 421 Non-utility income | 658 |
| 45 | 426 Miscellaneous non-utility expense | 944 |
| 46 | 427 Interest expense | 0 |
| 47 | Net Income (Loss) | (8,230) |

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 |
|---------------------------|-----|------------|---------------------|---------------------------|--------------------------|
| Chester and Sewel Streets | 1 | 12 | 354 | 354 | 66,058 ccf |
| Colony and Cox Avenues | 2 | 10 | 98 | 98 | 27,980 ccf |
| Monterey Road | 3 | 10 | 382 | 362 | 86,363 ccf |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | 180,401 ccf |

OTHER

| Streams or springs location of diversion point | Flow in Priority right | | (Unit) Diversions | | Annual Quantities Diverted Unit |
|--|------------------------|----------|-------------------|-----------------|---------------------------------|
| | Claim | Capacity | Max | Min | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| 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. Mo. of | Min. Mo. Mo. Of | Total for year |
|---------------------------|----------------|-----------------|----------------|
| Residential & business | | | |
| Industrial/Commercial | | | |
| Fire Protection | | | |
| Irrigation | | | |
| Other (specify) | | | |
| | | | |
| | | | |
| Total | | | |

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 | 3 | 16,200 | | 16,200 |
| 49 | 670 | Office salaries | 1 | 16,800 | | 16,800 |
| 50 | 671 | Management salaries | 1 | 26,400 | | 26,400 |
| 51 | | Total | 5 | 59,400 | | 59,400 |

SCHEDULE J - ADVANCES FOR CONSTRUCTION

| | |
|---|---------|
| Balance beginning of year | 158,223 |
| Additions during year | 0 |
| Subtotal - Beginning balance plus additions during year | 158,223 |
| Refunds | 150 |
| Transfers to Acct. 271 - Contributions in Aid of Construction | 0 |
| Balance end of year | 158,073 |

SCHEDULE K - TOTAL METERS AND SERVICES (active and inactive)

| Size | Meters | Services |
|--------------|------------|------------|
| 5/8 x 3/4-in | 117 | 117 |
| 3/4-in | 3 | 3 |
| 1-in | 68 | 68 |
| 1-1/2-in | 36 | 36 |
| 2-in | 58 | 58 |
| 3-in | 2 | 2 |
| 4-in | 2 | 2 |
| Total | 286 | 286 |

SCHEDULE L - METER-TESTING DATA

| | |
|---|------------------------------|
| Number of meters tested during year | |
| 1 | Used, before repair... |
| 2 | Used, after repair |
| 3 | Fast, requiring refund |
| 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 | 242 | | 242 | | | | 242 | |
| Industrial/Commercial | 41 | | 41 | | | | 41 | |
| Irrigation | | | | | | | | |
| Fire Protection (public)/Hydrants | | 119 | 119 | | | | | |
| Fire Protection (private)/Hydrants | | 2 | 2 | | | | 121 | |
| Other (specify) Governmental | 3 | | 3 | | | | 3 | |
| Total | 286 | 121 | 407 | | | | 407 | |

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 2 1/4 to under 3 1/4 4" | | 6" 8" 10 12" Other sizes (specify) | | | | Totals |
|--------------|----------|------------------------------|-----------------|--------------------------------|--------------|------------------------------------|---------------|---------------|--------------|---------------|
| | | | | | | | | | | |
| Concrete | 4 | 550,000 | Cast Iron | | | | | | | |
| Earth | | | Welded steel | | | | | | | |
| Wood | | | Standard screw | | | | | | | |
| Steel | | | Cement-asbestos | | | | | | | |
| Other | | | Plastic | | 2,930 | 18,463 | 49,105 | 12,048 | 5,653 | 88,199 |
| | | | Other (specify) | | | | | | | |
| Total | 4 | 550,000 | Total | | 2,930 | 18,463 | 49,105 | 12,048 | 5,653 | 88,199 |

DECLARATION

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

I, the undersigned (officer, partner or owner) of **WEST SAN MARTIN WATER WORKS, INC.** (Name of utility), 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.

Bob Ullstad

Signed *President*

Title *March 3, 2007*

Date