

Notes (continued)

NOTE 7. SHORT-TERM BORROWINGS

As of December 31, 2001, the Company maintained a bank line of credit providing unsecured borrowings of up to \$10,000,000 at the prime lending rate or lower rates as quoted by the bank. Approximately \$7,562,000 of the line is committed to a contractor for construction of an office complex for combined Los Angeles South Bay operations. When completed, the office complex will be exchanged with the contractor for surplus Company-owned land on a tax-free basis. Cal Water maintained a bank line of credit for an additional \$50,000,000 on the same terms as the Company. The line of credit agreements, which expire in April 2003 and which the Company expects to renew, do not require minimum or specific compensating balances. Washington Water has a \$0.1 million bank line of credit with nothing outstanding at December 31, 2001.

The following table represents borrowings under the bank lines of credit:

<i>Dollars in thousands</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
Maximum short-term borrowings	\$36,800	\$26,750	\$25,500
Average amount outstanding	24,453	16,810	9,093
Weighted average interest rate	5.29%	7.77%	6.52%
Interest rate at December 31	3.16%	7.88%	7.11%

NOTE 8. LONG-TERM DEBT

As of December 31, 2001 and 2000, long-term debt outstanding was:

<i>In thousands</i>	<i>Series</i>	<i>Interest Rate</i>	<i>Maturity Date</i>	<i>2001</i>	<i>2000</i>
First Mortgage Bonds:	J	8.86%	2023	\$ 4,000	\$ 4,000
	K	6.94%	2012	5,000	5,000
	P	7.875%	2002	2,565	2,580
	S	8.50%	2003	2,580	2,595
	BB	9.48%	2008	11,520	13,230
	CC	9.86%	2020	18,500	18,600
	DD	8.63%	2022	19,100	19,200
	EE	7.90%	2023	19,200	19,300
	FF	6.95%	2023	19,200	19,300
	GG	6.98%	2023	19,200	19,300
				120,865	123,105
Senior Notes:	A	7.28%	2025	20,000	20,000
	B	6.77%	2028	20,000	20,000
	C	8.15%	2030	20,000	20,000
	D	7.13%	2031	20,000	—
California Department of Water Resources loans		3.0% to 8.1%	2011-32	2,886	3,176
				4,230	3,698
Other long-term debt					
Total long-term debt				207,981	189,979
Less current maturities				5,381	2,881
Long-term debt excluding current maturities				\$202,600	\$187,098

The first mortgage bonds are obligations of Cal Water. All bonds are held by institutional investors and secured by substantially all of Cal Water’s utility plant. The unsecured senior notes are also obligations of Cal Water. They are held by institutional investors and require interest-only payments until maturity. The Department of Water Resources (DWR) loans were financed under the California Safe Drinking Water Bond Act. Repayment of principal and interest on the DWR loans is through a surcharge on customer bills. Other long-term debt is primarily equipment and system acquisition financing arrangements with financial institutions. Aggregate maturities and sinking fund requirements for each of the succeeding five years (2002 through 2006) are \$5,381,000, \$5,204,000, \$2,579,000 \$2,579,000, and \$2,605,000.

NOTE 9. INCOME TAXES

Income tax expense consists of the following:

<i>In thousands</i>		<i>Federal</i>	<i>State</i>	<i>Total</i>
2001	Current	\$ 6,472	\$2,136	\$ 8,608
	Deferred	1,456	(336)	1,120
	Total	\$ 7,928	\$1,800	\$ 9,728
2000	Current	\$ 7,961	\$2,519	\$10,480
	Deferred	1,554	(463)	1,091
	Total	\$ 9,515	\$2,056	\$11,571
1999	Current	\$ 8,291	\$2,560	\$10,851
	Deferred	2,769	(105)	2,664
	Total	\$11,060	\$2,455	\$13,515

Income tax expense computed by applying the current federal 35% tax rate to pretax book income differs from the amount shown in the Consolidated Statement of Income. The difference is reconciled in the table below:

<i>In thousands</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
Computed “expected” tax expense	\$8,643	\$11,037	\$12,420
Increase (reduction) in taxes due to:			
State income taxes net of federal tax benefit	1,170	1,336	1,624
Investment tax credits	(156)	(155)	(184)
Other	71	(647)	(345)
Total income tax	\$9,728	\$11,571	\$13,515

The components of deferred income tax expense were:

<i>In thousands</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
Depreciation	\$2,337	\$2,031	\$2,974
Developer advances and contributions	(783)	(814)	(749)
Bond redemption premiums	(42)	(61)	(62)
Investment tax credits	(94)	(61)	(94)
Other	(298)	(4)	595
Total deferred income tax expense	\$1,120	\$1,091	\$2,664