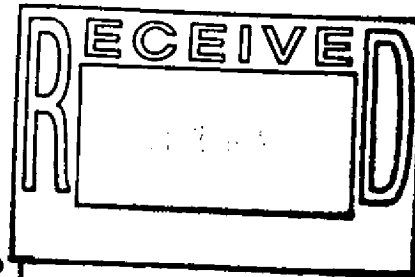


74

Received _____
Examined _____

CLASS D
WATER UTILITIES

U# _____



2004
ANNUAL REPORT
OF

Altos Sonoma Corporation

Kenwood Village Water Company

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

4984 Sonoma Highway

Santa Rosa, Ca. 95409

(OFFICIAL MAILING ADDRESS)

ZIP

TO THE
PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
FOR THE
YEAR ENDED DECEMBER 31, 2004

REPORT MUST BE FILED NOT LATER THAN MARCH 31, 2005
(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: SEANEEN M WILSON
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 or by the use of a typewriter. Computer generated report forms may be substituted.
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 refer 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.

SUMMARY OF EARNINGS 2004

| Account Number | Operating Revenue | |
|----------------|--------------------------------|---------------|
| 470 | Metered | 235206 |
| 460 | Unmetered | 20 |
| 465 | Irrigation | |
| 462-480 | Private Fire Protection | 490 |
| | Total Revenue | 235716 |
| | Operating Expenses | |
| 610 | Purchased Water | 5318 |
| 615 | Purchased Power | 11990 |
| | Pump Taxes | |
| | Purchased Chemicals | 718 |
| 618 | Other Vol. Related exp. | |
| 630 | Employee Labor | 10950 |
| 640 | Materials | 5482 |
| 650 | Contract Work | 9913 |
| | Water Testing | 3010 |
| 660 | Transportation Expense | 1528 |
| 664 | Other Plant Maintenance | 531 |
| 670 | Office Salaries | 10132 |
| 671 | Management Salaries | 32522 |
| 674 | Employee Pensions and Benefits | 18371 |
| 676 | Uncollectables | 270 |
| 678 | Office Service and Rentals | 2310 |
| 681 | Office Supplies and Expense | 3937 |
| 682 | Professional Services | 2509 |
| 684 | Insurance | 7404 |
| 688 | Regulatory Expense | |
| 689 | General Expense | 4302 |
| | Subtotal | 131197 |
| 403 | Depreciation Expense | 11136 |
| | Ad Valorem Taxes | 1691 |
| | Payroll taxes | 4696 |
| 408 | Taxes other than income | |
| 409 | State Income Tax | 8343 |
| 410 | Federal Income Tax | 27690 |
| | Total Deductions | 184753 |
| | Net Revenue | 50963 |
| | Rate Base | |

| | | |
|--|-------------------------------------|---------|
| | Average Plant | 627864 |
| | Average Depreciation Reserve | 143165 |
| | Net Plant | 484699 |
| | Less: Advances | |
| | Less: Contributions net | 125179 |
| | Plus: Construction Work in Progress | 4283 |
| | Plus: Working Cash Ave. | 10852 |
| | Plus: Material & Supplies Ave. | 2720 |
| | Rate Base | 377375 |
| | ROR=Net Rev/Rate Base | 13.5090 |

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

Kenwood Village Water Company

(Name under which corporation, partnership or individual is doing business)

4984 Sonoma Highway, Santa Rosa, Ca. 95409

(Official mailing address)

Kenwood, Sonoma County

(Service area-town and county)

GENERAL INFORMATION

RETURN ORIGINAL
TO COMMISSION
NO PHOTOCOPIES

- 1 If a corporation show:
 (A) Date of organization 8/95 incorporated in the State of CA, I.F.
 (B) Names, titles and addresses of principal officers: James B. & Kathleen S. Downey
26000 Newbridge Rd, Las Altos Hills, Ca. 94022

- 2 If unincorporated give the name and address of owner or of each partner:

- 3 Name and telephone number of:
 (A) One person listed above to receive correspondence: Karen L. Bell
 (B) Person responsible for operations and services: (707) 539-6397

- 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)
 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

- 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 | 8/03 |
| X | | 12/04 |
| X | | renewed 8/03 |
| | N/A | |
| | N/A | |

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

James P. Bathke T3 13436, D2 19107
Karen L. Bell T2 16977, D1 18635
Troy T. Bathke T1 23410, D1 27267

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 - Water 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 A, B, C AND D WATER COMPANIES
2004

NAME OF UTILITY Kenwood Village Water Company PHONE (707) 539-6397

PERSON RESPONSIBLE FOR THIS REPORT Karen L. Ball
(Prepared from Information in the 2004 Annual Report)

| | <u>1/1/04</u> | <u>12/31/04</u> | <u>Average</u> |
|---|-----------------------|-----------------------|-----------------------|
| BALANCE SHEET DATA | | | |
| 1 Intangible Plant | <u>225</u> | <u>225</u> | <u>225</u> |
| 2 Land and Land Rights | <u>607576</u> | <u>647706</u> | <u>627639</u> |
| 3 Depreciable Plant | <u>607801</u> | <u>647931</u> | <u>627964</u> |
| 4 Gross Plant in Service | <u>607801</u> | <u>647931</u> | <u>627964</u> |
| 5 Less: Accumulated Depreciation | <u><138790></u> | <u><147549></u> | <u><143165></u> |
| 6 Net Water Plant in Service | <u>469021</u> | <u>500382</u> | <u>484799</u> |
| 7 Water Plant Held for Future Use | | | |
| 8 Construction Work in Progress | <u>3183</u> | <u>5383</u> | <u>4283</u> |
| 9 Materials and Supplies | <u>2338</u> | <u>3101</u> | <u>2720</u> |
| 10 Less: Advances for Construction | <u>(-)</u> | <u>(-)</u> | <u>(-)</u> |
| 11 Less: Contribution in Aid of Construction <u>net</u> | <u>(118672)</u> | <u>(131686)</u> | <u>(125179)</u> |
| 12 Less: Accumulated Deferred Income and Investment Tax Credits | <u>()</u> | <u>()</u> | <u>()</u> |
| 13 Net Plant Investment | <u>355870</u> | <u>377180</u> | <u>366523</u> |
| CAPITALIZATION | | | |
| 14 Common Stock | | | |
| 15 Proprietary Capital (Individual or Partnership) | | | |
| 16 Paid-in Capital | | | |
| 17 Retained Earnings | <u>331553</u> | <u>366428</u> | <u>348991</u> |
| 18 Common Stock and Equity (Lines 14 through 17) | <u>331553</u> | <u>366428</u> | <u>348991</u> |
| 19 Preferred Stock | | | |
| 20 Long-Term Debt | | | |
| 21 Notes Payable | | | |
| 22 Total Capitalization (Lines 18 through 21) | <u>331553</u> | <u>366428</u> | <u>348991</u> |

(Revised 2/01)

SELECTED FINANCIAL DATA - CLASS A, B, C AND D WATER COMPANIES

2004
(continued)

NAME OF UTILITY Kenwood Village Water Co. PHONE (707) 539-6397

| INCOME STATEMENT | | Annual Amount |
|------------------|---|-------------------|
| 23 | Unmetered Water Revenue + DWR surcharges | <u>42141</u> |
| 24 | Fire Protection Revenue | <u>490</u> |
| 25 | Irrigation Revenue | |
| 26 | Metered Water Revenue | <u>235206</u> |
| 27 | Total Operating Revenue | <u>277837</u> |
| 28 | Operating Expenses | <u>131197</u> |
| 29 | Depreciation Expense (Composite Rate <u>2.31%</u>) | <u>11136</u> |
| 30 | Amortization and Property Losses | <u>34743</u> |
| 31 | Property Taxes | <u>1691</u> |
| 32 | Taxes Other Than Income Taxes | <u>4696</u> |
| 33 | Total Operating Revenue Deduction Before Taxes | <u>183463</u> |
| 34 | California Corp. Franchise Tax | <u>9943</u> |
| 35 | Federal Corporate Income Tax | <u>27690</u> |
| 36 | Total Operating Revenue Deduction After Taxes | <u>58341</u> |
| 37 | Net Operating Income (Loss) - California Water Operations | <u> </u> |
| 38 | Other Operating and Nonoper. Income and Exp. - Net (Exclude Interest Expense) | <u> </u> |
| 39 | Income Available for Fixed Charges | <u> </u> |
| 40 | Interest Expense | <u>7978</u> |
| 41 | Net Income (Loss) Before Dividends | <u> </u> |
| 42 | Preferred Stock Dividends | <u> </u> |
| 43 | Net Income (Loss) Available for Common Stock | <u>50963</u> |

OTHER DATA

| | | |
|----|---|--------------|
| 44 | Refunds of Advances for Construction | <u>-</u> |
| 45 | Total Payroll Charged to Operating Expenses | <u>53604</u> |
| 46 | Purchased Water | <u>5318</u> |
| 47 | Power | <u>11990</u> |

| <u>Active Service Connections</u> | | (Exc. Fire Protect.) | Jan. 1 | Dec. 31 | Annual Average |
|-----------------------------------|----------------------------------|----------------------|------------|------------|-------------------|
| 48 | Metered Service Connections | | <u>296</u> | <u>296</u> | <u>296</u> |
| 49 | Flat Rate Service Connections | | | | |
| 50 | Total Active Service Connections | | <u>296</u> | <u>296</u> | <u>296</u> |

CLASS B, C AND D WATER COMPANIES
SAFE DRINKING WATER BOND ACT DATA

Please provide 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: Westamerica Bank, Tony Pratt, Manager
Address: PO Box 137, Guerneville, Calif. 95446
Phone Number: (707) 869-0665
Date Hired: 9/95

2. Former Fiscal Agent:

Name: N/A
Address: _____
Phone Number: _____
Date Hired: _____

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

\$ 42,121.01 Dilling

4. Summary of the trust bank account activities showing:

| | |
|---|---------------------|
| Balance at beginning of year | <u>\$ 37,997.78</u> |
| Deposits during the year | <u>35,105.10</u> |
| Withdrawals made for loan payments | <u>36,349.12</u> |
| Other withdrawals from this account interest earned | <u>159.96</u> |
| Balance at end of year | <u>36,913.72</u> |

5. Account information:

Bank Name: Westamerica Bank
Account Number: 403-13346-5
Date Opened: 1/98 transferred from acct # 403-11761-1 to reflect changed company ownership.

6. Plant amounts included in Schedule A, Account No. 101--Water Plant in Service which were funded using SDWBA funds:

| 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 | 212397 | | | | 212397 |
| 12 | 331 | Water mains | 153234 | | | | 153234 |
| 13 | 333 | Services and meter installations | 34901 | | | | 34901 |
| 14 | 334 | Meters | 1908 | | | | 1908 |
| 15 | 335 | Hydrants | 23651 | | | | 23651 |
| 16 | 339 | Other equipment | | | | | |
| 17 | 340 | Office furniture and equipment | | | | | |
| 18 | 341 | Transportation equipment | | | | | |
| 19 | | Total depreciable plant | | | | | |
| 20 | | Total water plant in service | 426091 | | | | 426091 |

SCHEDULE A - BALANCE SHEET (DECEMBER 31, 2004)

| Line | Acct. | Assets | Balance | Acct. | Equity and Liabilities | Balance |
|------|-------|---|---------------|-------|---|---------------|
| 1 | 101 | Water plant in service | 1074018 | 201 | Common Stock (Corporations only) | |
| 2 | 103 | Water plant held for future use | | 211 | Other paid-in capital (Corporations only) | |
| 3 | 104 | Water plant purchased or sold | | 215 | Retained earnings | 366428 |
| 4 | 105 | Water plant construction work in progress (1) | 5383 | 218 | Proprietary capital | |
| 5 | 108 | Accumulated depreciation of water plant | 400554 | 224 | Long term debt (2) | 232046 |
| 6 | 114 | Water plant acquisition adjustments | | | Current Liabilities | |
| 7 | 124 | Other investments | | 252 | Advances for construction | |
| 8 | 131 | Cash (3) | 14099 | 253 | Other deferred credits | |
| 9 | 141 | Accounts receivable - customers | 23157 | 255 | Accumulated deferred investment tax credits | |
| 10 | 142 | Receivables from associated companies | | 282 | Accumulated deferred income taxes - Acrs | |
| 11 | 151 | Materials and supplies | 3101 | | depreciation | |
| 12 | 174 | Other current assets | | 283 | Accumulated deferred income taxes - other | |
| 13 | 180 | Deferred charges | 10956 | 271 | Contributions in aid of construction | 165607 |
| 14 | | | | 272 | Accumulated amortization of contributions | 33921 |
| 15 | | Total Assets | 730160 | | Total Equity and Liabilities | 730160 |

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 | | | | | |
| 17 | 303 | Land | 225 | | | | 225 |
| 18 | 304 | Structures | 8003 | | | | 8003 |
| 19 | 307 | Wells | 10722 | | | | 10722 |
| 20 | 317 | Other water source plant | 20874 | | | | 20874 |
| 21 | 311 | Pumping equipment | 96400 | (4) 8147 | (2) 6000 | | 98547 |
| 22 | 320 | Water treatment plant | 7455 | (5) 5977 | | | 13432 |
| 23 | 330 | Reservoirs tanks and sandpipes | 212469 | | | | 212469 |
| 24 | 331 | Water mains | 436674 | (6) 14440 | | | 451114 |
| 25 | 333 | Services and meter installations | 143527 | (7) 8759 | | | 152286 |
| 26 | 334 | Meters | 37729 | 4754 | | | 42483 |
| 27 | 335 | Hydrants | 40031 | (8) 2400 | | | 42431 |
| 28 | 339 | Other equipment | 2711 | (9) 1800 | (10) 193 | | 4318 |
| 29 | 340 | Office furniture and equipment | 9010 | | | | 9010 |
| 30 | 341 | Transportation equipment | 8062 | (11) 42 | | | 8104 |
| 31 | | Total water plant in service | 1033892 | 46319 | 6193 | | 1074018 |

* Debt or credit entries should be explained by footnotes or supplementary schedules

SCHEDULE C - RESERVE FOR DEPRECIATION OF UTILITY PLANT

| Line | Item | Account 106 Water Plant | Account 106.1 SDWBA Loans | |
|------|--|----------------------------|------------------------------|---|
| 32 | Balance in reserves at beginning of year | 138780 | 218262 | A. Method used to compute depreciation |
| 33 | Add: Credits to reserves during year | | | expense (Acct. 403) and rate. |
| 34 | (a) Charged to Account No. 403 | 11126 | | |
| 35 | (b) Charged to Account No. 272 | 3862 | | |
| 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 | 153742 | 34743 | covered by this report \$ |
| 40 | Deduct: Debits to reserves during year | | | |
| 41 | (a) Book cost of property retired | 6193 | | |
| 42 | (b) Cost of removal | | | C. State method used to compute tax |
| 43 | (c) All other debits | | | depreciation. |
| 44 | Total debits | | | |
| 45 | Balance in reserve at end of year | | | |
| 46 | (1) Explanation of all other credits | | | |
| 47 | (2) Explanation of all other debits | 147549 | 253005 | |

400554

SCHEDULE J - ADVANCES FOR CONSTRUCTION

| | |
|---|-----|
| Balance beginning of year | |
| Additions during year | |
| Subtotal - Beginning balance plus additions during year | |
| Refunds | N/A |
| Transfers to Acct. 271 - Contributions in Aid of Construction | |
| Balance end of year | |

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

| Size | Meters | Services |
|--------------|------------|------------|
| 5/8 x 3/4-in | 298 | 298 |
| 3/4-in | | |
| 1-in | 5 | 5 |
| 2-in | 7 | 7 |
| -in | | |
| Total | 300 | 300 |

SCHEDULE L - METER-TESTING DATA

| | |
|---|-------------|
| Number of meters tested during year | 2 tested |
| 1 Used, before repair... | 33 replaced |
| 2 Used, after repair | |
| 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 | 280 | | 280 | 4 | | 4 | 284 | |
| Industrial Business | 13 | | | | | | | |
| Other (specify) Parks | 3 | | | | | | | |
| Subtotal | 296 | | | 4 | | 4 | 300 | |
| Fire protection (Hydrants) | 20 | | | | | | 20 | |
| Total | 316 | | | 4 | | 4 | 320 | |

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 | Pipe Sizes | | | | | Totals |
|--------------|-----|------------------------------|---------------------|--------------|----------------|-------------|---------------------------------|-------------|------------|
| | | | | 2" and under | 2 1/4 to 3 1/4 | 4" | 6" 8" 10" Other sizes (specify) | | |
| Concrete | | | Cast Iron | | | | | | |
| Earth | | | Welded steel | | | 3000 | | | 3000 |
| Wood | | | Standard screw | | | | 40 | | 40 |
| Steel | 2 | 220,000 gal | Cement-asbestos | | | 1074 | 11130 | | 12204 |
| Other | | | Plastic | | | 710 | 2976 | 2656 | 4342 |
| | | | Other (specify) | | | | | | |
| | | | Ductile iron | | | | | 135 | 135 |
| Total | | | Total | | | 5784 | 14326 | 3656 | 820 |

DECLARATION

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

I, the undersigned (officer, partner or owner) of Kenwood Village Water Co. (Name of utility), 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 Jan. 1, 2004 to and including Dec. 31, 2004

Signed Karen L. Bore

Title Manager

Date 3/17/05

NOTES FOR KENWOOD VILLAGE WATER COMPANY

2004 ANNUAL REPORT

1. Randolph tie-in

| | |
|------------------|-------------|
| 2. Money market | 7803 |
| Regular checking | <u>6296</u> |
| | 14099 |

| | |
|------------------|---------------|
| 3. service truck | 3556 |
| DWR | <u>228490</u> |
| | 232046 |

4. K2 10HP pump install 8147

| | |
|-----------------------------|------------|
| 5. K1 whitewater compressor | 860 |
| K2 bubbler | 3390 |
| K2 low pressure mercroid | 980 |
| K2 diversion line | <u>147</u> |
| | 5997 |

6. 200' 6" C-900 mainline all CIAC

CIAC
14440

7. 4 service renewals

| | |
|----------------|-------------|
| 2 Los Guilicos | 5284 |
| 2 Brown | <u>3475</u> |
| | 8759 |

8. Hydrant CIAC

total CIAC
total Company additions
total additions

| |
|--------------|
| <u>2400</u> |
| 16840 |
| <u>29479</u> |
| 46319 |

9. Removal of 15HP K2

| | |
|--------------------|------------|
| 10. Hand held wand | 1377 |
| Hi-weed mower | <u>423</u> |
| | 1800 |

11. Hi-weed mower disposed

| | |
|-----------|-------------|
| 12. DWR | 42121 |
| Late fees | <u>1275</u> |
| | 43396 |

| | |
|---------------------------------|--------------------------------|
| 13. Lab Operator | 3010 <u>9913</u> 12923 |
| 14. Karen Jim | 22022 <u>10500</u> 32522 |
| 15. Acctg. Computer | 2365 <u>144</u> 2509 |
| 16. User Use Fees Gen'l exp. | 2586 <u>1716</u> 4302 |
| 17. Property Payroll | 1691 <u>4696</u> 6387 |
| 18. Hitch set-up | 42 |