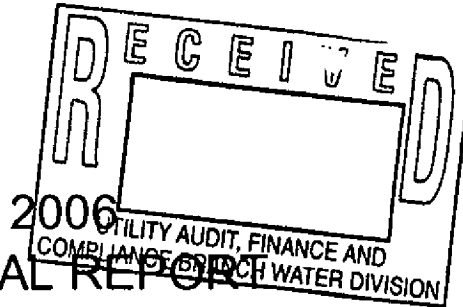


4 J.

Received _____
Examined _____

CLASS D
WATER UTILITIES

U# _____



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, Calif. 95409
(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)

C

KENWOOD VILLAGE WATER COMPANY 2006 ANNUAL REPORT

Account Number	Operating Revenue	
470	Metered	237668
460	Unmetered	102
465	Irrigation	
462-480	Private Fire Protection	490
	Total Revenue	238260
	Operating Expenses	
610	Purchased Water	5503
615	Purchased Power	11086
	Pump Taxes	
	Purchased Chemicals	522
618	Other Vol. Related exp.	
630	Employee Labor	15286
640	Materials	1800
650	Contract Work	9364
	Water Testing	7557
660	Transportation Expense	2170
664	Other Plant Maintenance	503
670	Office Salaries	12143
671	Management Salaries	36343
674	Employee Pensions and Benefits	28756
676	Uncollectables	203
678	Office Service and Rentals	2576
681	Office Supplies and Expense	4715
682	Professional Services	2700
684	Insurance	6860
688	Regulatory Expense	
689	General Expense	4232
	Subtotal	152319
403	Depreciation Expense	13076
	Ad Valorem Taxes	2046
	Payroll Taxes	6000
408	Taxes other than income	
409	State Income Tax	7000
410	Federal Income Tax	22458
	Total Deductions	202899
	Net Revenue	35361

KENWOOD VILLAGE WATER COMPANY 2006 ANNUAL REPORT

	Rate Base	''
	Average Plant	751013
	Net Plant	591856
	Less: Advances	.
	Less: Contributions Ave Net	147328
	Plus: Construction work in Progress	300
	Plus: Working Cash	12693
	Plus: Materials & Supplies	2182
	Rate Base	459703
	ROR=Net Rec/Rate Base	7.69%

KENWOOD VILLAGE WATER COMPANY 2006 ANNUAL REPORT

	Rate Base	
	Average Plant	751013
	Net Plant	591856
	Less: Advances	.
	Less: Contributions Ave Net	147328
	Plus: Construction work in Progress	300
	Plus: Working Cash	12693
	Plus: Materials & Supplies	2182
	Rate Base	459703
	ROR=Net Rec/Rate Base	7.69%

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 calander year, from January 1 through December 31. Fiscal year reports will not be accepted.

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)

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 4/1965 incorporated in the State of California

(B) Names, titles and addresses of principal officers: James B. + Kathleen Downey

2 If unincorporated provide the name and address of the owner(s) or the partners: 26000 Newbridge Rd. Los Altos Hills, Ca 94022; President + Secretary

3 Name, title, and telephone number of:

(A) One person listed above to receive correspondence: Karen L. Ball (707) 535-6397

(B) Person responsible for operations and services: Manager

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		12/06
X		Renewed 8/03

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

Karen L. Ball, T-2, D-2

James P. Batake, T-3, D-2

Tracy Batake, T-1, D-2

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: 1) file an advice letter requesting Commission approval of that service, 2) provide information regarding non-tariffed goods/services in each company's Annual Report to the Commission.

Based on the information and filings required in D.00-07-018, D.03-04-028, and D.04-12-023, provide the following information by each individual non-tariffed good and service provided in 200 .

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

**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: West America Bank
 Address: Box 137 Guerneville, Ca. 95441
 Phone Number: (707) 869-0665
 Date Hired: 9/95

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

\$ 37,108.30 billed

3. Summary of the trust bank account activities showing:

Balance at beginning of year	<u>\$ 45,528.45</u>
Deposits during the year	<u>37,026.07</u>
Withdrawals made for loan payments	<u>36,358.03</u>
Other withdrawals from this account interest earned	<u>157.06</u>
Balance at end of year	<u>46,371.55</u>

**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	2,233,997				2,133,997
12	331	Water mains	1,532,234				1,532,234
13	333	Services and meter installations	344,901				344,901
14	334	Meters	190,8				190,8
15	335	Hydrants	236,51				236,51
16	339	Other equipment					
17	340	Office furniture and equipment					
18	341	Transportation equipment					
19		Total depreciable plant					
20		Total water plant in service	4,460,91				4,460,91

SCHEDULE A - BALANCE SHEET (DECEMBER 31, 2006)

Line	Acct.	Assets	Balance	Acct.	Equity and Liabilities	Balance
1	101	Water plant in service	1210557	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	450470
4	105	Water plant construction work in progress (1)	308	218	Proprietary capital	
5	108	Accumulated depreciation of water plant	(494974)	224	Long term debt	169701
6	114	Water plant acquisition adjustments			Current Liabilities	14637
7	124	Other investments		252	Advances for construction	
8	131	Cash (2)	21164	253	Other deferred credits	
9	141	Accounts receivable - customers	25644	255	Accumulated deferred investment tax credits	
10	142	Receivables from associated companies		282	Accumulated deferred income taxes - Acrs	
11	151	Materials and supplies	3268		depreciation	
12	174	Other current assets		283	Accumulated deferred income taxes - other	
13	180	Deferred charges	8710	271	Contributions in aid of construction	192445
14				272	Accumulated amortization of contributions	(42592)
15		Total Assets	784661		Total Equity and Liabilities	784661

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 (3)	225	25778			25947
18	304	Structures	10670				10670
19	307	Wells	10722				10722
20	317	Other water source plant	22845				22845
21	311	Pumping equipment (4)	104262	1714			105976
22	320	Water treatment plant	13432				13432
23	330	Reservoirs tanks and sandpipes	212469				212469
24	331	Water mains (5)	519277	850			519127
25	333	Services and meter installations (6)	158845	10547			169392
26	334	Meters	48624	8894	757		56761
27	335	Hydrants	46751		(8) 2642		46751
28	339	Other equipment (7)	4588	693			2589
29	340	Office furniture and equipment (8)	9959	4165	7373 (10)		6751
30	341	Transportation equipment	8564		589		7975
31		Total water plant in service	1169283	52635	11361		1210557

* 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 Plant	Account 106.1 SDWBA Loans	
32	Balance in reserves at beginning of year	163844	283467	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	13076		
35	(b) Charged to Account No. 403	4445		
36	(c) Charged to Account No. 407			B. Amount of depreciation expense claimed
37	(d) Salvage recovered (11)	35		or to be claimed on utility property in
38	(e) All other credits			your federal income tax return for the year
39	Total credits	17556	31478	covered by this report \$
40	Deduct: Debits to reserves during year			
41	(a) Book cost of property retired	11361		C. State method used to compute tax
42	(b) Cost of removal			depreciation.
43	(c) All other debits			
44	Total debits	11361		
45	Balance in reserve at end of year	170039	314945	
46	(1) Explanation of all other credits			
47	(2) Explanation of all other debits			

484,974

SCHEDULE D - CAPITAL STOCK OUTSTANDING (DECEMBER 31, 2006)

Line	1 Common - (Shares _____, \$ _____ par)		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 - \$ _____		

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	Vehicle	10/03	10/08	1774	1769	6.99		160
6								
7	SDWBA	1/96	1/12	426091	167932	2.98-5%		8630
8	Totals			428865	169701			8790

SCHEDULE F - INCOME STATEMENT

9	Operating revenues	xxxxxxxxxxx
10	460 Unmetered water revenue	102
11	462 Fire protection revenue	490
12	465 Irrigation revenue	
13	470 Metered water revenue	237668
14	480 Other water revenue (12)	37108
15	Total Operating Revenue	275368
16	Operating revenue deductions	xxxxxxxxxxx
17	Operating expenses	xxxxxxxxxxx
18	610 Purchased water	5503
19	615 Purchased power	11086
20	618 Other volume related expenses	522
21	630 Employee labor	15286
22	640 Materials	1800
23	650 Contract work (13)	16921
24	660 Transportation expenses	2170
25	664 Other plant maintenance expense	503
26	670 Office salaries	12143
27	671 Management salaries (14)	36243
28	674 Employee pensions and benefits	28756
29	676 Uncollectible accounts expense	803
30	678 Office services and rentals	2576
31	681 Office supplies and expense	4715
32	682 Professional services (15)	2760
33	684 Insurance	6860
34	688 Regulatory commission expense	
35	689 General expenses (16)	4232
36	Total Operating Expenses	152319
37	403 Depreciation expense	13076
38	407 SDWBA loan amortization expense	31478
39	408 Taxes other than income taxes (17)	8046
40	409 State income tax expense	7000
41	410 Federal income tax expense	22458
42	Total Operating Revenue Deductions	224377
43	Utility Operating Income	40991
44	421 Non-utility income	
45	426 Miscellaneous non-utility expense	
46	427 Interest expense (18)	8630
47	Net Income	35361

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
Orcutt St	1	12	47	450	58228 CCF
Los Gulligos	2	12	30	300	3931 CCF
					61559 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) CCF			Annual Quantity		
Supplier: Sanoma County Water Agency			3585 CCF		

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	July	Feb	63699 CCF
Industrial/Commercial			
Fire Protection			
Irrigation			
Other (specify) Parks	July	Feb	2.45 CCF
Total			63702 CCF

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	1	15286	2242	17528
49	670	Office salaries	1	12143		12143
50	671	Management salaries	2	36343		36343
51		Total	4	63772	2242	66014

SCHEDULE J - ADVANCES FOR CONSTRUCTION

Balance beginning of year	
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 K - TOTAL METERS AND SERVICES (active and inactive)

Size	Meters	Services
5/8 x 3/4-in	293	293
3/4-in		
1-in	6	6
1 1/2-in	7	7
2-in		
Total	306	306

SCHEDULE L - METER-TESTING DATA

Number of meters tested during year	
1 Used, before repair...	36 replaced
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	285		285	4		4	289	
Industrial/Commercial	13		13				13	
Jurisdiction <i>WSP/CS</i>	4		4				4	
Fire Protection (public)	21		21				21	
Fire Protection (private)	4		4				4	
Other (specify)								
Total	327		327	4		4	331	

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 4"				6" 8" 10" Other sizes (specify)	Totals
				2" and under	2 1/4 to 3 1/4	4"			
Concrete			Cast Iron						
Earth			Welded steel			3000		3000	
Wood			Standard screw			40		40	
Steel	2	220000 gal	Cement-asbestos			2974	1120	13384	
Other			Plastic			710	2976	4986	
			Other (specify)						
			Ductile Iron					135	
Total	2	220,000	Total			6784	11630	4246	

DECLARATION

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

I, the undersigned (officer, partner or owner) of Kennwood 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, 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.

Arum L. Ball
 Signed
Manager
 Title
3/27/07
 Date

**Notes for 2006 Annual Report
Kenwood Village Water Company**

1) Booster Pump Project		300	
2) Checking Account		12,109	
 Money Market		9,055	
		21,164	
3) Remainder of K1 Pumphouse Lot		25,772	
4) 4" K1 Production meter		1,714	
5) Randolph main		850	
6) Services	Company		CIAC
	1,052	Latisi	5,295
		Burch	4,200
			9,495
	<u>10,547</u>		
7) Difuser			
 Chlorimeter			
 Hand Tools		693	
8) 2 Desk top computers replaced			
 1 Server added		4,165	
9) & 10) Disposed items and			
 Balance to physical inventory		2,642	
11) Scrap sold		35	
12) SDWBA		37,108	

13) Contract Work	9,364
Water Testing	<u>7,557</u>
	16,921
14) Karen	26,143
Jim	<u>10,200</u>
	36,343
15) Accounting	2355
Computer Tech	<u>345</u>
	2700
16) User Use	3,129
General	<u>1,103</u>
	4,232
17) Payroll	5000
Property	<u>2046</u>
	8046
18) SDWBA	5630

Income Taxes

**Penngrove and Kenwood Village Water Companies are combined
for the purposes of ratemaking and taxation.**

Penngrove	Combined Taxable Income	Kenwood
639,209	232,903	275,368
(421,109)	x . 0884	(152,319)
(35,150)	<hr style="width: 50%; margin: 0 auto;"/>	(13,076)
(20,496)	20,589	(8,046)
<hr style="width: 50%; margin: 0 auto;"/>	Total State Tax	<hr style="width: 50%; margin: 0 auto;"/>
162,454		70,449
13,589	Split 66/34 State Taxes	<hr style="width: 50%; margin: 0 auto;"/>
<hr style="width: 50%; margin: 0 auto;"/>		7,000
	Total Federal Taxable Income	
	212,314	
	1st 100,000 @ 22,250 Split 66/34	
14,685		7,565
	Remaining 112,314@ 39% = 43,802 Split 66/34	
28,909		<hr style="width: 50%; margin: 0 auto;"/>
<hr style="width: 50%; margin: 0 auto;"/>		14,893
43,594		<hr style="width: 50%; margin: 0 auto;"/>
<hr style="width: 50%; margin: 0 auto;"/>		22,458