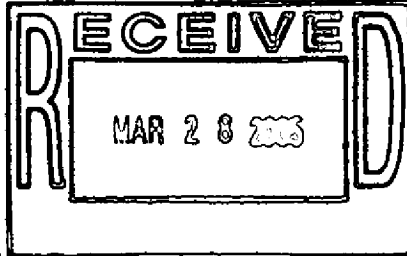


Received _____
Examined _____

CLASS D
WATER UTILITIES

U# _____



2004
ANNUAL REPORT
OF

Altos Sonoma Corporation

Penngrove 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, 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

YEAR 2004

Account Number	Operating Revenue	
470	Metered	541390
460	Unmetered	112
465	Irrigation Other	2570
462-480	Private Fire Protection	
	Total Revenue	544072
	Operating Expenses	
610	Purchased Water	116808
615	Purchased Power	5798
	Pump Taxes	
	Purchased Chemicals	393
618	Other Vol. Related exp.	
630	Employee Labor	21115
640	Materials	9706
650	Contract Work	18100
	Water Testing	3791
660	Transportation Expense	2820
664	Other Plant Maintenance	538
670	Office Salaries	18817
671	Management Salaries	63398
674	Employee Pensions and Benefits	34118
676	Uncollectables	837
678	Office Service and Rentals	4290
681	Office Supplies and Expense	7267
682	Professional Services	4638
684	Insurance	13751
688	Regulatory Expense	
689	General Expense	10080
	Subtotal	336265
403	Depreciation Expense	27590
	Ad Valorem Taxes	7840
	Payroll taxes	8720
408	Taxes other than income	
409	State Income Tax	14467
410	Federal Income Tax	47297
	Total Deductions	442179
	Net Revenue	101893
	Rate Base	

	Average Plant	1995385
	Average Depreciation Reserve	<445593>
	Net Plant	1489792
	Less: Advances	<34553>
	Less: Contributions	<616351>
	Plus: Construction Work in Progress	45968
	Plus: Working Cash	26503
	Plus: Material & Supplies	7413
	Rate Base	918772
	ROR=Net Rev/Rate Base	11.09%

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

Penngrove Water Company

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

4984 Sonoma Highway, Santa Rosa, Ca. 95409

(Official mailing address)

Penngrove, 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 Calif.
 - (B) Names, titles and addresses of principal officers: James B. & Kathleen S. Downey
26800 Newbridge Rd. Los Altos Hills, Ca. 94022
- 2 If unincorporated give the name and address of owner or of each partner:
- 3 Name and telephone number of: Karen L. Ball
 - (A) One person listed above to receive correspondence:
 - (B) Person responsible for operations and services: (707) 535-6397
- 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) JPG Environmental Services
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? Field service operations Acct # 650
- 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	8/97
X		12/04
X		renewed 8/97
	N/A	
	N/A	

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

James P. Bethke TS, 13436, D2, 19107

Karen L. Ball T2, 16977, D1, 18635

Troy T. Bethke T2, 23410, D1, 17267

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 Pennorove Water Company PHONE (707) 535-6397
PERSON RESPONSIBLE FOR THIS REPORT Karen L. Ball
(Prepared from Information in the 2004 Annual Report)

	1/1/04	12/31/04	Average
BALANCE SHEET DATA			
1 Intangible Plant			
2 Land and Land Rights	<u>4000</u>	<u>4000</u>	<u>4000</u>
3 Depreciable Plant	<u>1914417</u>	<u>1948353</u>	<u>1931385</u>
4 Gross Plant in Service	<u>1919417</u>	<u>1952353</u>	<u>1935385</u>
5 Less: Accumulated Depreciation	<u>(424812)</u>	<u>(466368)</u>	<u>(445593)</u>
6 Net Water Plant in Service	<u>1493599</u>	<u>1485985</u>	<u>1489792</u>
7 Water Plant Held for Future Use	<u>6353</u>	<u>6353</u>	<u>6353</u>
8 Construction Work in Progress	<u>42099</u>	<u>49836</u>	<u>45968</u>
9 Materials and Supplies	<u>7019</u>	<u>7807</u>	<u>7413</u>
10 Less: Advances for Construction	<u>(35667)</u>	<u>(33438)</u>	<u>(34553)</u>
11 Less: Contribution in Aid of Construction	<u>(61900)</u>	<u>(61369)</u>	<u>(61635)</u>
12 Less: Accumulated Deferred Income and Investment Tax Credits	<u>()</u>	<u>()</u>	<u>()</u>
13 Net Plant Investment	<u>894398</u>	<u>902847</u>	<u>898622</u>
CAPITALIZATION			
14 Common Stock			
15 Proprietary Capital (Individual or Partnership)	<u>912683</u>	<u>942051</u>	<u>927367</u>
16 Paid-in Capital			
17 Retained Earnings			
18 Common Stock and Equity (Lines 14 through 17)			
19 Preferred Stock			
20 Long-Term Debt			
21 Notes Payable			
22 Total Capitalization (Lines 18 through 21)	<u>912683</u>	<u>942051</u>	<u>927367</u>

(Revised 2/01)

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

2004
(continued)

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

INCOME STATEMENT		Annual Amount
23	Unmetered Water Revenue	<u>112</u>
24	Fire Protection Revenue	<u> </u>
25	Irrigation Revenue <u>Other Water</u>	<u>2576</u>
26	Metered Water Revenue	<u>541390</u>
27	Total Operating Revenue	<u>544078</u>
28	Operating Expenses	<u>336265</u>
29	Depreciation Expense (Composite Rate <u>2.42%</u>)	<u>27590</u>
30	Amortization and Property Losses	<u> </u>
31	Property Taxes	<u>7840</u>
32	Taxes Other Than Income Taxes	<u>9720</u>
33	Total Operating Revenue Deduction Before Taxes	<u>442179</u>
34	California Corp. Franchise Tax	<u>14467</u>
35	Federal Corporate Income Tax	<u>47297</u>
36	Total Operating Revenue Deduction After Taxes	<u>101893</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> </u>
41	Net Income (Loss) Before Dividends	<u> </u>
42	Preferred Stock Dividends	<u> </u>
43	Net Income (Loss) Available for Common Stock	<u>101893</u>
OTHER DATA		
44	Refunds of Advances for Construction	<u>2229</u>
45	Total Payroll Charged to Operating Expenses	<u>103330</u>
46	Purchased Water	<u>116808</u>
47	Power	<u>5798</u>

<u>Active Service Connections</u>		(Exc. Fire Protect.)	Jan. 1	Dec. 31	Annual Average
48	Metered Service Connections		<u>544</u>	<u>554</u>	<u>549</u>
49	Flat Rate Service Connections		<u> </u>	<u> </u>	<u> </u>
50	Total Active Service Connections		<u>544</u>	<u>554</u>	<u>549</u>

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 companies 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 2002:

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

N/A

**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: _____
Address: _____
Phone Number: _____
Date Hired: _____

2. Former Fiscal Agent:

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

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

\$ _____

4. 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	_____

5. Account information:

Bank Name: _____
Account Number: _____
Date Opened: _____

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		N/A			
11	330	Reservoirs, tanks and sandpipes					
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, 2004)

Line	Acct.	Assets	Balance	Acct.	Equity and Liabilities	Balance
1	101	Water plant in service	1951995	201	Common Stock (Corporations only)	
2	103	Water plant held for future use ①	6352	211	Other paid-in capital (Corporations only)	
3	104	Water plant purchased or sold		215	Retained earnings	
4	105	Water plant construction work in progress ②	49936	218	Proprietary capital	942051
5	108	Accumulated depreciation of water plant	(466010)	224	Long term debt	6605
6	114	Water plant acquisition adjustments			Current Liabilities	29096
7	124	Other investments		252	Advances for construction	39428
8	131	Cash ③	26184	253	Other deferred credits	
9	141	Accounts receivable - customers	47662	255	Accumulated deferred investment tax credits	
10	142	Receivables from associated companies		282	Accumulated deferred income taxes - Acrs	
11	151	Materials and supplies	7807		depreciation	
12	174	Other current assets		283	Accumulated deferred income taxes - other	
13	180	Deferred charges		271	Contributions in aid of construction	808259
14				272	Accumulated amortization of contributions	(104563)
15		Total Assets	1623826		Total Equity and Liabilities	1623826

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	4000				4000
18	304	Structures	16863				16863
19	307	Wells	2932				2932
20	317	Other water source plant	33252				33252
21	311	Pumping equipment	99650	11661	4700 ③		106611
22	320	Water treatment plant	4509				4509
23	330	Reservoirs tanks and sandpipes	140745	260			141005
24	331	Water mains	1187852	725			1188577
25	333	Services and meter installations	219141	14803 ④			233944
26	334	Meters	73587	3295			76882
27	335	Hydrants	99464	5971 ⑤	900 ⑥		104935
28	339	Other equipment	5024	3344 ⑥	258 ⑩		8010
29	340	Office furniture and equipment	17076				17076
30	341	Transportation equipment	14332	77 ⑦			14409
31		Total water plant in service	1918417	39536	5958		1951995

* 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	414818		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	27590		2.429% S.L.
35	(b) Charged to Account No. 272	19560		
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	47150		covered by this report \$
40	Deduct: Debits to reserves during year			
41	(a) Book cost of property retired	5958		
42	(b) Cost of removal			C. State method used to compute tax
43	(c) All other debits			depreciation.
44	Total debits	5958		
45	Balance in reserve at end of year			
46	(1) Explanation of all other credits			
47	(2) Explanation of all other debits	466010		

SCHEDULE D - CAPITAL STOCK OUTSTANDING (DECEMBER 31, 2004)

Line	Common - (Shares , \$ par)		List persons owning more than 5% of outstanding stock
2	Preferred - (Shares , \$ par)	N/A	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	12744	10161	6.99		808
6								
7								
8	Totals							

SCHEDULE F - INCOME STATEMENT

9	Operating revenues	XXXXXXXXXX
10	460 Unmetered water revenue	112
11	462 Fire protection revenue	
12	465 Irrigation revenue	
13	470 Metered water revenue	541390
14	480 Other water revenue (11)	2570
15	Total Operating Revenue	544072
16	Operating revenue deductions	XXXXXXXXXX
17	Operating expenses	XXXXXXXXXX
18	610 Purchased water	116808
19	615 Power	5798
20	618 Other volume related expenses	393
21	630 Employee labor	21115
22	640 Materials	9706
23	650 Contract work (12)	21891
24	660 Transportation expenses	1820
25	664 Other plant maintenance expense	538
26	670 Office salaries	18817
27	671 Management salaries (13)	63399
28	674 Employee pensions and benefits	34118
29	676 Uncollectible accounts expense	837
30	678 Office services and rentals	4250
31	681 Office supplies and expense	7267
32	682 Professional services (14)	4638
33	684 Insurance	13751
34	688 Regulatory commission expense	
35	689 General expenses (15)	10080
36	Total Operating Expenses	336265
37	403 Depreciation expense	27590
38	407 SDWBA loan amortization expense	
39	408 Taxes other than income taxes (16)	16560
40	409 State corporate income tax expense	14467
41	410 Federal corporate income tax expense	47397
42	Total Operating Revenue Deductions	442179
43	Utility Operating Income	101893
44	421 Non-utility income	
45	426 Miscellaneous non-utility expense	
46	427 Interest expense	
47	Net Income	101893

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
Cannon MGBOR	1	12	200	250	15757 CCF

OTHER

Streams or springs location of diversion point	Flow in		(Unit) Divisions		Annual quantities diverted (Unit)
	Priority right	Claim	Capacity	Max	
Purchased water (unit) CCF					
Supplier: So. Co. Water Agency					Annual quantity
					100930 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			110160 CCF
Industrial			
Public authorities.			
Irrigation NURSERY/PARK			2941 CCF
Other (specify)			
Total			113101 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	21115	874	21962
49	670	Office salaries	1	18817	-	18817
50	671	Management salaries	2	63399	-	63399
51		Total	4	103330	874	104204

SCHEDULE J - ADVANCES FOR CONSTRUCTION

Balance beginning of year	35667
Additions during year	
Subtotal - Beginning balance plus additions during year	
Refunds	1229
Transfers to Acct. 271 - Contributions in Aid of Construction	
Balance end of year	33438

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

Size	Meters	Services
5/8 x 3/4-in	529	529
3/4-in		
1-in	38	38
2-in	5	5
3-in		
Total	572	572

SCHEDULE L - METER-TESTING DATA

Number of meters tested during year	
1 Used, before repair...	29 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	529		529	18		18	547	
Industrial	2		2				2	
Other (specify)	20		20				20	
	3		3				3	
Subtotal	554		554				572	
Fire protection (Hydrants)	66		66				66	
Total	620		620	18		18	638	

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"	Totals
				under	3 1/4		Other sizes (specify)			
Concrete			Cast Iron						2420	2420
Earth			Welded steel							
Wood			Standard screw	6080	5082	380				11542
Steel	1	212,000 gal	Cement-asbestos			2565	30890			33445
Other			Plastic	2020	300	1520	19794	9600		33714
			Other (specify)							
Total			Total	8100	5382	4965	50674	5690	1440	81121

DECLARATION

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

I, the undersigned (officer, partner or owner) of Penngrove Water Company (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 January 1, 2004 to and including December 31, 2004

Signed Harold L. Ball

Title manager

Date March 7, 2005

Date

**Notes for
Penngrove Water Company
2004 Annual Report**

1. Penngrove tank site		15. User Use Fees	6893
Payroll	8720	General Exp.	<u>3187</u>
2. CMW Project			10080
3. Checking	11692	16. Property	7840
Money Market	<u>14492</u>	Payroll	<u>8720</u>
	26184		16560
4. Company			
3452		CIAC	
		Almedia	5472
5. <u>2471</u>		Correia	5279
5923		Hesse	<u>3500</u>
			14251
6. Handheld	2558		
Hi-Weed	<u>786</u>		
	3344		
7. Hitch set-up	77		
8. 10 HP well pump CM			
9. 1986 install removed			
10. Hi-Weed Mower replaced			
11. Late Fees			
12. Laboratory	3791		
Operator	<u>18100</u>		
	21891		
13. Karen	43899		
Jim	<u>19499</u>		
	63398		
14. Accounting	4370		
Computer	<u>268</u>		
	4638		