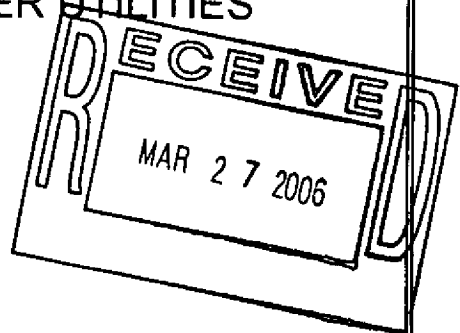


✓

Received _____
Examined _____

CLASS B and C
WATER UTILITIES



U# _____

2005
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, 2005

REPORT MUST BE FILED NOT LATER THAN MARCH 31, 2006
(FILE TWO COPIES IF THREE RECEIVED)

PENNGROVE WATER COMPANY 2005 ANNUAL REPORT

Account Number	Operating Revenue	
470	Metered	547194
460	Unmetered	
465	Irrigation	
462-480	Private Fire Protection	
	Total Revenue	547194
	Operating Expenses	
610	Purchased Water	101059
615	Purchased Power	5266
	Pump Taxes	
	Purchased Chemicals	242
618	Other Vol. Related exp.	
630	Employee Labor	29951
640	Materials	7679
650	Contract Work	18065
	Water Testing	3883
660	Transportation Expense	4825
664	Other Plant Maintenance	427
670	Office Salaries	20564
671	Management Salaries	68982
674	Employee Pensions and Benefits	45563
676	Uncollectables	503
678	Office Service and Rentals	4290
681	Office Supplies and Expense	6469
682	Professional Services	5958
684	Insurance	14141
688	Regulatory Expense	
689	General Expense	8986
	Subtotal	338999
403	Depreciation Expense	28366
	Ad Valorem Taxes	8814
	Payroll taxes	9913
408	Taxes other than income	
409	State income Tax	13764
410	Federal Income Tax	44466
	Total Deductions	444306
	Net Revenue	102888
	Rate Base	

	Average Plant	1979267
	Average Depreciation Reserve	<486797>
	Net Plant	1492470
	Less: Advances	<32365>
	Less: Contributions AVE NET	<616108>
	Plus: Construction Work in Progress	57614
	Plus: Working Cash	28136
	Plus: Material & Supplies	7491
	Rate Base	937238
	ROR=Net Rev/Rate Base	16.97%

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

2005

NAME OF UTILITY Pennorove Water Company PHONE (707) 236-6387

PERSON RESPONSIBLE FOR THIS REPORT Karen L. Bell
 (Prepared from Information in the 2005 Annual Report)

	1/1/05	12/31/05	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>1947995</u>	<u>2002589</u>	<u>1575267</u>
4 Gross Plant in Service	<u>1951995</u>	<u>2006589</u>	<u>1979267</u>
5 Less: Accumulated Depreciation	<u>(466010)</u>	<u>(507583)</u>	<u>(486797)</u>
6 Net Water Plant in Service	<u>1485985</u>	<u>1498956</u>	<u>1492470</u>
7 Water Plant Held for Future Use	<u>6352</u>	<u>6352</u>	<u>6352</u>
8 Construction Work in Progress	<u>49836</u>	<u>65792</u>	<u>57614</u>
9 Materials and Supplies	<u>7807</u>	<u>7175</u>	<u>7491</u>
10 Less: Advances for Construction	<u>(93438)</u>	<u>(31292)</u>	<u>(82865)</u>
11 Less: Contribution in Aid of Construction <i>Net</i>	<u>(613696)</u>	<u>(618520)</u>	<u>(616109)</u>
12 Less: Accumulated Deferred Income and Investment Tax Credits	<u>(-)</u>	<u>(-)</u>	<u>(-)</u>
13 Net Plant Investment	<u>902846</u>	<u>928063</u>	<u>915455</u>

CAPITALIZATION			
14 Common Stock			
15 Proprietary Capital (Individual or Partnership)			
16 Paid-in Capital			
17 Retained Earnings	<u>942051</u>	<u>1097961</u>	<u>1020006</u>
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>942051</u>	<u>1097961</u>	<u>1020006</u>

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

20 05

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

INCOME STATEMENT

	Annual Amount
23 Unmetered Water Revenue	_____
24 Fire Protection Revenue	_____
25 Irrigation Revenue	_____
26 Metered Water Revenue	<u>547194</u>
27 Total Operating Revenue	<u>547194</u>
28 <u>Operating Expenses</u>	<u>338992</u>
29 Depreciation Expense (Composite Rate <u>2.42%</u>)	<u>18356</u>
30 Amortization and Property Losses	_____
31 Property Taxes	<u>8814</u>
32 Taxes Other Than Income Taxes	<u>9913</u>
33 Total Operating Revenue Deduction Before Taxes	<u>386076</u>
34 California Corp. Franchise Tax	<u>13764</u>
35 Federal Corporate Income Tax	<u>44466</u>
36 Total Operating Revenue Deduction After Taxes	<u>444306</u>
37 Net Operating Income (Loss) - California Water Operations	<u>102888</u>
38 Other Operating and Nonoper. Income and Exp. - Net (Exclude Interest Expense)	_____
39 Income Available for Fixed Charges	_____
40 Interest Expense	_____
41 Net Income (Loss) Before Dividends	_____
42 Preferred Stock Dividends	_____
43 Net Income (Loss) Available for Common Stock	<u>102888</u>

OTHER DATA

44 Refunds of Advances for Construction	<u>2146</u>
45 Total Payroll Charged to Operating Expenses	<u>119497</u>
46 Purchased Water	<u>101059</u>
47 Power	<u>5266</u>

Active Service Connections (Exc. Fire Protect.) _____

	Jan. 1	Dec. 31	Annual Average
48 Metered Service Connections	<u>558</u>	<u>569</u>	<u>564</u>
49 Flat Rate Service Connections	_____	_____	_____
50 Total Active Service Connections	<u>558</u>	<u>569</u>	<u>564</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: _____
Address: _____
Phone Number: _____
Date Hired: _____

2. Former Fiscal Agent:

N/A
Name: _____
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: _____

**CLASS B, C AND D WATER COMPANIES
SAFE DRINKING WATER BOND ACT DATA (continued)**

6. Plant amounts included in Schedule A-1a, 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		N/A			
8	317	Other water source plant					
9	311	Pumping equipment					
10	320	Water treatment plant					
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					

GENERAL INFORMATION

- 1 Name under which utility is doing business: Penngrove Water Company
- 2 Official mailing address: 4984 Sonoma Hwy.
State Ross, Ca. ZIP 95409
- 3 Name and title of person to whom correspondence should be addressed:
Karen L. Ball, Manager Telephone: (707) 539-6397
- 4 Address where accounting records are maintained:
4984 Sonoma Hwy S.R. 95409
- 5 Service Area: (Refer to district reports if applicable.) Penngrove & Vicinity,
Sonoma County
- 6 Service Manager (if located in or near Service Area): (Refer to district reports if applicable.)
Name: James P. Batke
Address: 608 Acadia Ln. S.R. 95409 Telephone: (707) 539-6306

7 OWNERSHIP. Check and fill in appropriate line:

- Individual (name of owner) _____
- Partnership (name of partner) _____
- Partnership (name of partner) _____
- Partnership (name of partner) _____
- Corporation (corporate name) Altos Sonoma Corporation
Organized under laws of (state) California

Principal Officers:

- | | |
|-------------------------------|--------------------------|
| (Name) <u>James B. Downey</u> | (Title) <u>President</u> |
| (Name) <u>Kathleen Downey</u> | (Title) <u>Secretary</u> |
| (Name) _____ | (Title) _____ |
| (Name) _____ | (Title) _____ |

8 Names of associated companies: N/A

9 Names of corporations, firms or individuals whose property or portion of property have been acquired during the year, together with date of each acquisition: N/A

Date: _____

Date: _____

Date: _____

Date: _____

10 Use the space below for supplementary information or explanations concerning this report: N/A

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

James P. Bathke	T-3, D-2	13436, 13436
Troy Bathke	T-1, D-1	23410, 27267
Karen L. Ball	T-2, D-2	16977, 18495

**SCHEDULE A
COMPARATIVE BALANCE SHEETS
Liabilities and Other Credits**

Line No.	Acct. No.	Title of Account (a)	Schedule No. (b)	Balance End-of-Year (c)	Balance Beginning of Year (d)
1		CORPORATE CAPITAL AND SURPLUS			
2	201	Common stock	A-6		
3	204	Preferred stock	A-6		
4	211	Other paid-in capital	A-8		
5	215	Retained earnings	A-9	1097961	942051
6		Total corporate capital and retained earnings			
7		PROPRIETARY CAPITAL			
8	218	Proprietary capital	A-10		
9	218.1	Proprietary drawings			
10		Total proprietary capital			
11		LONG TERM DEBT			
12	224	Long term debt (4)	A-11	5011	6605
13	225	Advances from associated companies	A-12		
14		CURRENT AND ACCRUED LIABILITIES			
15	231	Accounts payable		39177	28036
16	232	Short term notes payable			
17	233	Customer deposits (5)		425	
18	235	Payables to associated companies	A-13		
19	236	Accrued taxes			
20	237	Accrued interest			
21	241	Other current liabilities	A-14		
22		Total current and accrued liabilities		39602	28036
23		DEFERRED CREDITS			
24	252	Advances for construction	A-15	31292	33438
25	253	Other credits			
26	255	Accumulated deferred investment tax credits	A-16		
27	282	Accumulated deferred income taxes - ACRS depreciation	A-16		
28	283	Accumulated deferred income taxes - other	A-16		
29		Total deferred credits		31292	33438
30		CONTRIBUTIONS IN AID OF CONSTRUCTION			
31	271	Contributions in aid of construction	A-17	833248	808259
32	272	Accumulated amortization of contributions		214728	194563
33		Net contributions in aid of construction		618520	613696
34		Total liabilities and other credits		1798396	1613826

**SCHEDULE A-1
UTILITY PLANT**

Line No.	Acct No.	Title of Account (a)	Balance Beg of Year (b)	Plt Additions During year (c)	Plt Retirements During year (d)	Other Debits* or (Credits) (e)	Balance End of year (f)
1	101	Water plant in service	1951995	59154	4610		2006539
2	103	Water plant held for future use	6352				6352
3	104	Water plant purchased or sold					
4	105	Construction work in progress - water plant	49836	15556	XXXXXXXXXXXX	⑥	65392
5	114	Water plant acquisition adjustments			XXXXXXXXXXXX		
6		Total utility plant	2008183	74710	4610		2078183

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

**SCHEDULE A-1a
Account No. 101 - Water Plant in Service**

Line No.	Acct No.	Title of Account (a)	Balance Beg of Year (b)	Plt Additions During year (c)	Plt 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	4000				4000
4		Total non-depreciable plant	4000				4000
5		DEPRECIABLE PLANT					
6	304	Structures	16863	899 ⑤			17762
7	307	Wells	2822				2822
8	317	Other water source plant	33352				33352
9	311	Pumping equipment	106611				106611
10	320	Water treatment plant	4509	468 ⑧	230		4747
11	330	Reservoirs, tanks and sandpipes	141005				141005
12	331	Water mains	1189577	6040 ⑨	1000		1193617
13	333	Services and meter installations	233344	28407 ⑩	1900		270751
14	334	Meters	76892	6561 ⑪	820		82623
15	335	Hydrants	104526	1939 ⑫	1560		104904
16	339	Other equipment	8010	2228 ⑬			10238
17	340	Office furniture and equipment	17076	1763 ⑭			18839
18	341	Transportation equipment	14409	954 ⑮			15263
19		Total depreciable plant	1947995	59154	4610		2002539
20		Total water plant in service	1951995	59154	4610		2006539

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

SCHEDULE A-1b
Account No. 103 - Water Plant Held for Future Use

Line No.	Description and Location of Property (a)	Date of Acquisition (b)	Approximate Date When Property will be placed in Service (c)	Balance End of Year (d)
1	tank site	1989		6352
2				
3				
4				
5				
6				
7				
8				
9				
10	Total			6352

SCHEDULE A-2
Account No. 121 - Non-utility Property and Other Assets

Line No.	Name and Description of Property (a)	Book Value End of Year (b)
1		
2		
3	N/A	
4		
5		
6		
7		
8		
9		
10	Total	

SCHEDULE A-3

Account Nos. 108 and 122 - Depreciation and Amortization Reserves

Line No.	Item (a)	Account 106 Water Plant (b)	Account 106.1 SDWBA Loans (c)	Account 122 Non-utility Property (d)
1	Balance in reserves at beginning of year	466010		
2	Add: Credits to reserves during year			
3	(a) Charged to Account No. 403 (Footnote 1)	29956		
4	(b) Charged to Account No 272	20165		
5	(c) Charged to clearing accounts			
6	(d) Salvage recovered			
7	(e) All other credits (Footnote 2)			
8	Total Credits	49521		
9	Deduct: Debits to reserves during year			
10	(a) Book cost of property retired	4610		
11	(b) Cost of removal (15)	2338		
12	(c) All other debits (Footnote 3)			
13	Total debits	6948		
14	Balance in reserve at end of year	507583		
15	(1) COMPOSITE DEPRECIATION RATE USED FOR STRAIGHT LINE REMAINING LIFE 2.42%			
16				
17	(2) EXPLANATION OF ALL OTHER CREDITS:			
18				
19				
20				
21				
22				
23	(3) EXPLANATION OF ALL OTHER DEBITS:			
24				
25				
26				
27				
28				
29	(4) METHOD USED TO COMPUTE INCOME TAX DEPRECIATION			
30	(a) Straight line	<input checked="" type="checkbox"/>		
31	(b) Liberalized	<input type="checkbox"/>		
32	(1) Sum of the years digits	<input type="checkbox"/>		
33	(2) Double declining balance	<input type="checkbox"/>		
34	(3) Other	<input type="checkbox"/>		
35	(c) Both straight line and liberalized	<input type="checkbox"/>		

11 00 00

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00 00 00

12 00 00

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00 00 00

00 00 00
00 00 00

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SCHEDULE A-3a
Account No. 108 - Analysis of Entries in Depreciation Reserve

Line No.	Acct No.	Depreciable Plant (a)	Balance Beginning of Year (b)	Credits to Reserve During Year Excl. Salvage (c)	Debits to Reserve During Year Excl. Cost of Removal (d)	Salvage and Cost of Removal Net (Dr.) or (Cr.) (e)	Balance End of Year (f)
1	304	Structures	4031	430			4461
2	307	Wells	676	69			745
3	317	Other water source plant	7978	807			8785
4	311	Pumping equipment	25509	2580			28089
5	320	Water treatment plant	1076	120	230		966
6	330	Reservoirs, tanks and sandpipes	28725	3414			32139
7	331	Water mains	284428	28884	1000	2329	309974
8	333	Services and meter installations	57812	6549	1000		61361
9	334	Meters	18339	2019	820		19538
10	335	Hydrants	25001	2576	1560		26017
11	339	Other equipment	1915	248			2163
12	340	Office furniture and equipment	4082	456			4538
13	341	Transportation equipment	2447	369			2816
14		Total	466010	48521	4610	2338	507583

SCHEDULE A-4
Account No. 174 - Other Current Assets

Line No.	Item (a)	Amount (b)
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

N/A

SCHEDULE A-5
Accounts Nos. 180 and 253 - Unamortized debt discount and expense and unamortized premium on debt

- 1 Report under separate subheadings for Unamortized Debt Discount and Expense and Unamortized Premium on Debt, particulars of discount and expense or premium applicable to each class and series of long-term debt.
- 2 Show premium amounts in red or by enclosure in parentheses.
- 3 In column (b) show the principal amount of bonds or other long-term debt originally issued.
- 4 In column (c) show the discount and expense or premium with respect to the amount of bonds or other long-term debt originally issued.
- 5 Furnish particulars regarding the treatment of unauthorized debt discount and expense or premium, redemption premiums, and redemption expenses associated with issues redeemed during the year.
- 6 Set out separately and identify undisposed amounts applicable to issues which were redeemed in prior years.
- also, date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

Line No.	Designation of long-term debt (a)	Principal amount of securities to which discount and expense, or premium minus expense, relates (b)	Total discount and expense or net premium (c)	AMORTIZATION PERIOD		Balance beginning of year (f)	Debits during year (g)	Credits during year (h)	Balance end of year (i)
				From -- (d)	To -- (e)				
1									
2									
3									
4									
5									
6									
7									
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9									
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11									
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24									
25									
26									
27									
28									

SCHEDULE A-6
Account Nos. 201 and 204 - Capital Stock

Line No.	Class of Stock (a)	Date of Issue (b)	Number of Shares Authorized by Articles of Incorporation (c)	Par or Stated Value (d)	Number of Shares Outstanding (e)	Amount Outstanding End of Year (f)	Dividends Declared During Year	
							Rate (g)	Amount (h)
1								
2			N/A					
3								
4								
5								
6							Total	

SCHEDULE A-7
Record of Stockholders at End of Year

Line No.	COMMON STOCK		PREFERRED STOCK	
	Name (a)	Number of Shares (b)	Name (c)	Number of Shares (d)
1				
2				
3				
4				
5				
6				
7	Total number of shares		Total number of shares	

SCHEDULE A-8
Account No. 211 - Other Paid in Capital (Corporations only)

Line No.	Type of Paid in Capital (a)	Balance End of Year (b)
1		
2		
3		
4	Total	

SCHEDULE A-9
Account No. 215 - Retained Earnings
(Corporations Only)

Line No	Item (a)	Amount (b)
1	Balance beginning of year	942051
2	CREDITS	
3	Net income	102888
4	Prior period adjustments	53022
5	Other credits (detail)	
6	Total credits	155910
7		
8	DEBITS	
9	Net losses	
10	Prior period adjustments	
11	Dividend appropriations - preferred stock	
12	Dividend appropriations - common stock	
13	Other debits (detail)	
14	Total debits	
15	Balance end of year	1097961

SCHEDULE A-10
Account No. 218 - Proprietary Capital
(Sole Proprietor or Partnership)

Line No.	Item (a)	Amount (b)
1	Balance beginning of year	
2	CREDITS	
3	Net income	
4	Additional investments during year	N/A
5	Other credits (detail)	
6	Total credits	
7	DEBITS	
8	Net losses	
9	Withdrawals during year	
10	Other debits (detail)	
11	Total debits	
12	Balance end of year	

SCHEDULE A-11
Account No. 224 - Long Term Debt

Line No.	Class (a)	Name of Issue (b)	Date of Issue (c)	Date of Maturity (d)	Principal Amount Authorized (e)	Outstanding Per Balance Sheet (f)	Rate of Interest (g)	Interest Accrued During Year (h)	Sinking Fund (i)	Interest Paid During Year (j)
1	Vehicle		10/03	10/08	12744	5050	6.99			419
2	6590 AF									
3	7770									
4	25% TAKVIC									
5										
6										

SCHEDULE A-12
Account No. 225 - Advances from Associated Companies

Line No.	Nature of Obligation (a)	Amount of Obligation (b)	Interest Rate (c)	Interest Accrued During Year (d)	Interest Paid During Year (e)
1					
2				N/A	
3					
4	Totals				

Schedule A-13
Account No. 235 - Payables to Associated Companies

Line No.	Nature of Obligation (a)	Balance End of Year (b)	Interest Rate (c)	Interest Accrued During Year (d)	Interest Paid During Year (e)
1					
2				N/A	
3					
4	Totals				

SCHEDULE A-14
Account No. 241 - Other Current Liabilities

Line No.	Description (a)	Balance End of Year (b)
1	Accounts Payable	39,171
2		
3		
4		
5	als	

SCHEDULE A-15
Account No. 252 - Advances for Construction

Line No.	(a)	(b)	Amount (c)
1	Balance beginning of year	XXXXXXXXXXXXXXXXXX	33,438
2	Additions during year	XXXXXXXXXXXXXXXXXX	
3	Subtotal - Beginning balance plus additons during year	XXXXXXXXXXXXXXXXXX	
4	Charges during year:	XXXXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXXXX
5	Refunds	XXXXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXXXX
6	Percentage of revenue basis	2,146	XXXXXXXXXXXXXXXXXX
7	Proportionate cost basis		XXXXXXXXXXXXXXXXXX
8	Present worth basis		XXXXXXXXXXXXXXXXXX
9	Total refunds	2,146	XXXXXXXXXXXXXXXXXX
10	Transfers to Acct. 271, Contributions in aid of Construction	XXXXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXXXX
11	Due to expiration of contracts		XXXXXXXXXXXXXXXXXX
12	Due to present worth discount		XXXXXXXXXXXXXXXXXX
13	Total transfers to Acct. 271		XXXXXXXXXXXXXXXXXX
14	Securities Exchanged for Contracts (Enter detail below)		XXXXXXXXXXXXXXXXXX
15	Subtotal - charges during year		
16	Balance end of year	XXXXXXXXXXXXXXXXXX	31,292

SCHEDULE A-16
Account Nos. 255, 282, and 283 - Deferred Taxes

Line No.	Item (a)	Account 255 Investment Tax Credit (b)	Account 282 Income Tax - ACRS Depreciation (c)	Account 283 - Other (d)
1				
2				
3				
4				
5	Totals			

N/A

SCHEDULE A-17

Account No. 271 - Contributions in Aid of Construction

Instructions for Preparation of Schedule of Contributions in Aid of Construction

- 1 The credit balance in the account other than that portion of the balance relating to nondepreciable property (column d), to property retired prior to January 1, 1955 (column e), shall be written off through charges to this account and credits to Account No. 106, Accumulated depreciation of water plant, over a period equal to the estimated service life of the property involved. Upon retirement of depreciable property for which a depreciation reserve has been created through charges to this account, the cost thereof shall be credited to the appropriate plant account and concurrently charged to Account No. 106. If the property is retired prior to the service life originally estimated, the balance in this account with respect to the retired property shall be transferred to the depreciation reserve account.

- 2 That portion of the balance applicable to nondepreciable property shall remain unchanged until the property is sold or otherwise retired. Upon retirement, the cost of such nondepreciable property acquired by donation or through use of donated funds shall be credited to the appropriate plant account and charged to this account to clear the credit balance carried herein.

- 3 That portion of the balance representing donations on property retired prior to January 1, 1955 (column e), and the amount of depreciation accrued to January 1, 1955, on property in service (column f), shall not be transferred from this account or otherwise disposed of without first receiving written authorization from the Commission.

Line No.	Item (a)	Total All Columns (b)	Subject to Amortization		Not Subject to Amortization	
			Property in Service After Dec. 31, 1954		Property Retired Before Jan. 1, 1955 (e)	Depreciation Accrued Through Dec. 31, 1954 on Property in Services at Dec. 31, 1954 (f)
			Depreciable (c)	Non-Depreciable (d)		
1	Balance beginning of year	809257	808229			
2	Add: Credits to account during year					
3	Contributions received during year	24989	24989			
4	Other credits*					
5	Total credits	233248	233248			
6	Deduct: Debits to Account during year					
7	Depreciation charges for year	20162				
8	Nondepreciable donated property retired					
9	Other debits* Accumulated	194723	214723			
10	Total debits	214723				
11	Balance end of year	614520	614520			

* Indicate nature of these items and show the accounts affected by the contra entries

**SCHEDULE B
INCOME STATEMENT**

Line No.	Acct. No.	Account (a)	Schedule No. (b)	Amount (c)
1		UTILITY OPERATING INCOME		
2	400	Operating revenues	B-1	547194
3		OPERATING REVENUE DEDUCTIONS		
4	401	Operating expenses	B-2	339993
5	403	Depreciation expense	A-3	28356
6	407	SDWBA loan amortization expense	pages 7 & 8	
7	408	Taxes other than income taxes	B-3	19727
8	409	State corporate income tax expense	B-3	13764
9	410	Federal corporate income tax expense	B-3	44466
10		Total operating revenue deductions		
11		Total utility operating income		102888
12		OTHER INCOME AND DEDUCTIONS		
13	421	Non-utility income	B-5	
14	426	Miscellaneous non-utility expense	B-5	
15	427	Interest expense	B-6	
16		Total other income and deductions		
17		Net income		102888

SCHEDULE B-1
Account No. 400 - Operating Revenues

Line No.	Acct. No.	Account (a)	Amount Current Year (b)	Amount Preceding Year (c)	Net Change During Year Show Decrease in [Brackets] (d)
1		WATER SERVICE REVENUES			
2	460	Unmetered water revenue			
3		460.1 Single - family residential			
4		460.2 Commercial and multi-residential			
5		460.3 Large water users			
6		460.5 Safe Drinking Water Bond Surcharge			
7		460.9 Other unmetered revenue	-	118	<118>
8		Sub-total		118	<118>
9	462	Fire protection revenue			
10		462.1 Public fire protection			
11		462.2 Private fire protection			
12		Sub-total			
13	465	Irrigation revenue			
14	470	Metered water revenue			
15		470.1 Single-family residential	480813	473225	7588
16		470.2 Commercial and multi-residential	45909	48011	<2102>
17		470.3 Large water users (15)	20472	22724	<2252>
18		470.5 Safe Drinking Water Bond Surcharge			
19		470.9 Other metered revenue			
20		Sub-total			
21		Total water service revenues			
22	480	Other water revenue			
23		Total operating revenues	547194	544072	3122

SCHEDULE B-2
Account No. 401 - Operating Expenses

Line No.	Acct. No.	Account (a)	Amount Current Year (b)	Amount Preceding Year (c)	Net Change During Year Show Decrease in [Brackets] (d)
1		PLANT OPERATION AND MAINTENANCE EXPENSES			
2		VOLUME RELATED EXPENSES			
3	610	Purchased water	101059	116908	(15749)
4	615	Power	5266	5798	(532)
5	616	Other volume related expenses	242	393	(151)
6		Total volume related expenses	106567	122999	(16432)
7		NON-VOLUME RELATED EXPENSES			
8	630	Employee labor	29951	21989	7962
9	640	Materials	7679	9706	(2027)
10	650	Contract work	21148	22454	(1306)
11	660	Transportation expenses	4025	2920	1105
12	664	Other plant maintenance expenses	427	538	(111)
13		Total non-volume related expenses			
14		Total plant operation and maintenance exp.	63230	57507	5723
15		ADMINISTRATIVE AND GENERAL EXPENSES			
16	670	Office salaries	20564	18817	1747
17	671	Management salaries	68982	63298	5684
18	674	Employee pensions and benefits	40563	36118	4445
19	676	Uncollectible accounts expense	503	827	(324)
20	678	Office services and rentals	4290	4290	-
21	681	Office supplies and expenses	6469	7267	(798)
22	682	Professional services	5958	4638	1320
23	684	Insurance	14141	13751	390
24	688	Regulatory commission expense			
25	689	General expenses	9086	10080	(1094)
26		Total administrative and general expenses	170456	157196	13260
27	800	Expenses capitalized	(1260)	(1427)	177
28		Net administrative and general expense	169196	155769	13427
29		Total operating expenses	338993	336265	2728

SCHEDULE B-3

Account No. 408, 409, 410 - Taxes Charged During the Year

Line No.	Type of Tax (a)	Total Taxes Charged During Year (b)	Distribution of Taxes Charged	
			Water (c)	Nonutility (d)
1	Taxes on real and personal property	8814	8814	
2	State corporate franchise tax	13764	13764	
3	State unemployment insurance tax	728	728	
4	Other state and local taxes	8961	8961	
5	Federal unemployment insurance tax	224	224	
6	Federal insurance contributions act			
7	Other federal taxes			
8	Federal income taxes	44466	44466	
9				
10				
11	Totals	76957	76957	

SCHEDULE B-4

Reconciliation of Reported Net Income for Federal Income Taxes

- 1 Report hereunder a reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. The reconciliation shall be submitted even though there is no taxable income for the year. Descriptions should clearly indicate the nature of each reconciling amount.
- 2 If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, inter-company amounts to be eliminated in such consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.
- 3 Show taxable year if other than calendar year from _____ to _____.

Line No.	Particulars (a)	Amount (b)
1	Net income for the year per Schedule B, page 4	
2	Reconciling amounts (list first additional income and unallowable deductions,	
3	followed by additional deductions and non-taxable income):	
4		
5	<i>please see following note</i>	
6		
7		
8		
9		
10	Federal tax net income	
11	Computation of tax:	
12		
13		
14		
15		
16		
17		

INCOME TAXES

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

Kenwood

\$78,417

Penngrove

\$161,118

**Combined Taxable
Income**

\$239,535

x 8.84%

\$21,175 Total State Tax

Split 35/65

\$7411

State Taxes

\$13,764

**Total Federal Taxable
Income**

\$218,360

**1st \$100,000 =
\$22,250**

Split 35/65

\$7788

\$14,462

**Remaining \$118,360 @ 39% =
\$46,160**

\$16456

\$23,944

Split 35/65

Total Federal Taxes

\$ 30,004

\$44,466

SCHEDULE B-5
Account No. 421 and 426 - Income from Nonutility Operations

Line No.	Description (a)	Revenues Acct. 421 (b)	Expenses Acct. 426 (c)
1			
2			
3			
4			
5	Total		

SCHEDULE B-6
Account No. 427 - Interest Expense

Line No.	Description (a)	Amount (b)
1		
2		
3		
4		
5		
6		
7		
8		
9		
10	Total	

SCHEDULE C-1
Compensation of Individual Proprietor, Partners and Employees Included in Expenses

Line No.	Acct. No.	Account (a)	Number at End of Year (b)	Salaries Charged to Expense (c)	Salaries Charged to Plant Accounts (d)	Total Salaries and Wages Paid (e)
1	630	Employee Labor	1	29951	2360	32311
2	670	Office salaries	1	20564	-	20564
3	671	Management salaries	2	68982	-	68982
4						
5						
6		Total	4	119497	2360	121857

SCHEDULE C-2
Loans to Directors, Officers, or Shareholders

Line No.	Name (a)	Title (b)	Amount (c)	Interest Rate (d)	Maturity Date (e)	Security Given (f)	Date of Shareholder Authorization (g)	Other Information (h)
1								
2					N/A			
3								
4								
5								
6								
7	Total							

SCHEDULE C-3
Engineering and Management Fees and Expenses, Etc., During Year

Line No.	Give the required particulars of all contracts or other agreements in effect in the course of the year between the respondent and any corporation, association, partnership, or person covering supervision and/or management of any department of the respondent's affairs, such as accounting, engineering, financing, construction or operation, and show the payments under such agreements and also the payments for advice and services to a corporation or corporations which directly or indirectly control respondent through stock ownership.	
1	1. Did the respondent have a contract or other agreement with any organization or person covering supervision	
2	and/or management of its own affairs during the year? Answer: <u>(Yes)</u> or No)	
3	(If the answer is in the affirmative, make appropriate replies to the following questions)*	
4	2. Name of each organization or person that was a party to such a contract or agreement. <u>Von Arner Const,</u>	
5	<u>DIMENSIONS 4 ENGINEERING, JPB Equipmental Services (operations)</u>	
6	3. Date of original contract of agreement. <u>6/ Good & Fowler (Accounting)</u>	
7	4. Date of each supplement or agreement. <u>0</u>	
8	5. Amount of compensation paid during the year for supervision or management \$ <u>0</u>	
9	6. To whom paid	
10	7. Nature of payment (salary, traveling expenses, etc.).	
11	8. Amounts paid for each class of service.	
12		
13	9. Basis for determination of such amounts	
14		
15	10. Distribution of payments:	Amount
16	(a) Charged to operating expenses <u>JPB Equipmental; Good & Fowler</u>	\$ <u>23935</u>
17	(b) Charged to capital amounts <u>JPB Equipmental</u>	\$ <u>163</u>
18	(c) Charged to other account <u>#105 Const. in Progress, Dim 4 Engineering/</u>	\$ <u>15356</u>
19	Total	\$ <u>Von Arner Const</u>
20	11. Distribution of charges to operating expenses by primary accounts	
21	Number and Title of Account	Amount
22	<u>#650(2) Contract Labor</u>	\$ <u>18065</u>
23	<u>#682(2) Legal Prof.</u>	\$ <u>5870</u>
24		\$
25	Total	\$ <u>23935</u>
26	12. What relationship, if any, exists between respondent and supervisory and/or managing concerns? <u>None</u>	
27		
* File with this report a copy of every contract, agreement, supplement or amendment mentioned above unless a copy of the instrument in due form has been furnished, in which case a definite reference to the report of the respondent relative to which it was furnished will suffice.		

**SCHEDULE D-1
Sources of Supply and Water Developed**

STREAMS					FLOW IN (Unit) 2			Annual Quantities Diverted (Unit) 2	Remarks
Line No.	Diverted Into *	From Stream or Creek (Name)	Location of Diversion Point	Priority Right		Diversions			
				Claim	Capacity	Max.	Min.		
1									
2									
3									
4									
5									

WELLS

Line No.	At Plant (Name or Number)	Location	Number	Dimensions	1 Depth to Water	Pumping Capacity (Unit) 2		Annual Quantities Pumped (Unit) 2	Remarks
					 (Unit) 2 (Unit) 2		
6	CM 1	Cohen	1	12"	200'	250	gpm	14330	CCF
7		maner							
8									
9									
10									

TUNNELS AND SPRINGS

Line No.	Designation	Location	Number	FLOW IN (Unit) 2		Annual Quantities Pumped (Unit) 2	Remarks
				Maximum	Minimum		
11							
12							
13							
14							
15							

Purchased Water for Resale

16	Purchased from	Sonoma County Water Agency
17	Annual Quantities purchased	93,786 (Unit chosen) 1 CCF
18		
19		

* State ditch pipeline reservoir, etc., with name, if any.
 1 Average depth to water surface below ground surface
 2 The quantity unit in established use for experiencing water stored and used in large amounts is the acre foot, which equals 43,560 cubic feet; in domestic use the thousand gallon or the hundred cubic feet. The rate of flow or discharge in larger amounts is expressed in cubic feet per second. In gallons per minute, in gallons per day, or in the miner's inch. Please be careful to state the unit used.

**SCHEDULE D-2
Description of Storage Facilities**

Line No.	Type	Number	Combined Capacity (Gallons or Acre Feet)	Remarks
1	A. Collecting reservoirs			
2	Concrete			
3	Earth			
4	Wood			
5	B. Distribution reservoirs			
6	Concrete			
7	Earth			
8	Wood			
9	C. Tanks			
10	Wood			
11	Metal bolted steel	1	212,000 gal.	
12	Concrete			
13	Totals	1	212,000 gal.	

SCHEDULE D-3
Description of Transmission and Distribution Facilities

A. LENGTH OF DITCHES, FLUMES AND LINKED CONDUITS IN MILES FOR VARIOUS CAPACITIES

Capacities in Cubic Feet Per Second or Miner's Inches (state which) _____

Line No.		0 to 5	6 to 10	11 to 20	21 to 30	31 to 40	41 to 50	51 to 75	76 to 100
1	Ditch								
2	Flume				N/A				
3	Lined conduit								
4									
5	Totals								

A. LENGTH OF DITCHES, FLUMES AND LINKED CONDUITS IN MILES FOR VARIOUS CAPACITIES - Concluded

Capacities in Cubic Feet Per Second or Miner's Inches (state which) _____

Line No.		101 to 200	201 to 300	301 to 400	401 to 500	501 to 750	751 to 1000	Over 1000	Total All Lengths
6	Ditch								
7	Flume				N/A				
8	Lines conduit								
9									
10	Totals								

B. FOOTAGES OF PIPE BY INSIDE DIAMETERS IN INCHES - NOT INCLUDING SERVICE PIPING

Line No.		1	1 1/2	2	2 1/2	3	4	5	6	8
11	Cast iron									
12	Cast iron (cement lined)									
13	Concrete									
14	Copper									
15	Riveted steel									
16	Standard screw			6080	5092		380			
17	Screw or welded casing									
18	Cement - asbestos						2365		30880	
19	Welded steel									
20	Wood									
21	Other (specify) <i>Plastic</i>			2620	300		1919		19794	9680
22	Totals			8700	5392		4665		50674	9680

B. FOOTAGES OF PIPE BY INSIDE DIAMETERS IN INCHES - NOT INCLUDING SERVICE PIPING - Concluded

Line No.		10	12	14	16	18	20	Other Sizes (Specify Sizes)	Total All Sizes
23	Cast Iron	2420							
24	Cast iron (cement lined)								
25	Concrete								
26	Copper								
27	Riveted steel								
28	Standard screw								
29	Screw or welded casing								
30	Cement - asbestos								
31	Welded steel								
32	Wood								
33	Other (specify)								
34	Totals	2420							80921

**SCHEDULE D-4
Number of Active Service Connections**

Classification	Metered - Dec 31		Flat Rate - Dec 31	
	Prior Year	Current Year	Prior Year	Current Year
	Single family residential	593	544	
Commercial and Multi-residential	20	20		
Large water users	5	5		
Public authorities				
Irrigation				
Other (specify)				
Subtotal	598	569		
Private fire connections	2	2		
Public fire hydrants	66	66		
Total	626	637		

**SCHEDULE D-5
Number of Meters and Services on
Pipe Systems at End of Year**

Size	Meters	Services
5/8 x 3/4 - in	533	XXXXXXXXXXXX
3/4 - in		
1 - in	48	
2 - in	5	
- in		
- in		
- in		
- in		
Other		
Total	586	

**SCHEDULE D-6
Meter Testing Data**

A. Number of Meters Tested During Year as Prescribed in Section VI of General Order No. 103:	
1. New, after being received	41
2. Used, before repair	
3. Used, after repair	
4. Found fast, requiring billing adjustment	
B. Number of Meters in Service Since Last Test	
1. Ten years or less	320
2. More than 10, but less than 15 years	149
3. More than 15 years	

**SCHEDULE D-7
Water delivered to Metered Customers by Months and Years in CCF (Unit Chosen):**

Classification of Service	During Current Year							Subtotal	
	January	February	March	April	May	June	July		
Single-family residential	6203	4488	5631	5302	7123	10245	13040	54582	
Commercial and Multi-residential	3	3	2	2	2	3	1	17	
Large water users (15)	67	83	409	(102)	326	422	430	1672	
Public authorities									
Irrigation									
Other (specify)									
Total	6323	4574	5942	5199	7491	11270	13472	54271	
Classification of Service	During Current Year						Subtotal	Total	Total Prior Year
	August	September	October	November	December				
Single-family residential	13827	11471	9968	8424	5451	4941	10024	110160	
Commercial and Multi-residential	2	2	2	3	3	18	29		
Large water users	1018	590	657	185	132	2993	4655	2041 (16)	
Public authorities									
Irrigation									
Other (specify)									
Total	14847	12463	10627	8612	5587	62126	10479	113102	

Quantity units to be in hundreds of cubic feet, thousands of gallons, acre-feet, or miner's inch-days.

Total acres irrigated _____

Total population served ~ 1400

(17)

**SCHEDULE D-8
Status With State Board of Public Health**

1	Has the State or Local Health Department reviewed the sanitary condition of your water system during the past year?	no
2	Are you having routine laboratory tests made of water served to your consumers?	yes
3	Do you have a permit from the State Board of Public Health for operation of your water system?	yes
4	Date of permit: renewed 11/05	5 If permit is "temporary", what is the expiration date?
6	If you do not hold a permit, has an application been made for such permit?	7 If so, on what date?

**SCHEDULE D-9
Statement of Material Financial Interest**

Use this space to report the information required by Section 2 of General Order No. 104-A. If no material financial interest existed during the year or contemplated at the end of the year, such fact shall be so stated. If additional space is required, attach a supplementary statement with reference made thereto.

No material financial interest existed during year or contemplated.

DECLARATION

Before Signing, Please Check to See That All Schedules Have Been Completed

(See instruction 3 on front cover)

I, the undersigned Karen L. Bale Officer, Partner or Owner
of Pinegrove 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 Jan 1, 2005 (date)

to and including DEC 31, 2006 (date)

SIGNED Karen L. Bale

Title Manager

Date 3/24/06

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NOTES FOR 2005 PENNGROVE ANNUAL REPORT

1. CMW from Penngrove and Canon Facilities Fee Accounts \$15,556

2. Checking Account \$ 27,932

MM Savings	14,977
	42,909
	(425) customer deposits
	<u>42,484</u>

3. Penngrove FF \$125,761

Canon Manor FF	<u>2,510</u>
	128,272

No provision for reporting on Class D Annual Report forms
Used in 2004.

4. Chevy S-10 Service Truck \$ 7,709

	x 65%
	<u>5,011</u>

5. Customer deposits not separate from Cash on Class D Annual Report form used in 2004.

6. CMW

7. Shed "Drive Doors"

8. Double Chlorinator Set-up per DHS

9. Adobe x PHR main line valve \$5,645

Pem Pressure recorder @	
Palm	<u>395</u>
	6,040

10. Company

	FF	CIAC
		Customers
\$12,798 5 service renewals		Maulio \$1,092
<u>620 Smith</u>		Sager 3,000
13,418		Koffoid 3,000
		Zak 5,000
		Hatchery Bldg. 2,200
		Jordan 8,372
		Shehan <u>2,325</u>
		24,989

Total \$38,407

11. Hydrant replaced
Grove x Adobe \$1,939

12. 2nd ADE Wand \$1,324
Mowing Tractor 780
Sawzall & Battery Pack 119
2,223

13. MAC (JBD) \$1,763

14. Tires & Wheels \$854
(Utility Trailer)

15. 200' 4-inch Oak Street \$2,338

16. Large Users: Nursery (1)
Park (2)
School (2)

17. Loss percentages
104,718 CCF Total Sales
108,110 CCF Total Production and Purchase = 3% Combined Loss

Canon Manor 13,445 CCF Total Sales
14,330 CCF Total Production = 6%

Penngrove 91,273 CCF Total Sales
93,780 Total Purchase = 3%