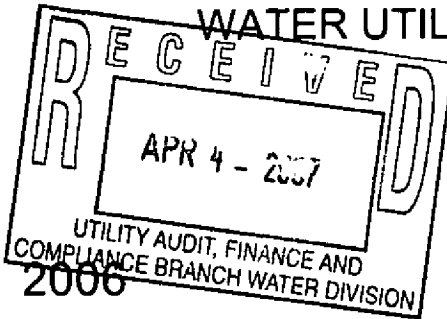


Received _____
 Examined _____

CLASS B and C
 WATER UTILITIES



U# _____

2006
 ANNUAL REPORT
 OF

Altos Sonoma Corporation

Pennorove 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)

PENNGROVE WATER COMPANY 2006 ANNUAL REPORT

Account Number	Operating Revenue	
470	Metered	634850
460	Unmetered	3063
465	Irrigation	
462-480	Private Fire Protection	1296
	Total Revenue	639209
	Operating Expenses	
610	Purchased Water	119701
615	Purchased Power	7120
	Pump Taxes	
	Purchased Chemicals	284
618	Other Vol. Related exp.	
630	Employee Labor	32783
640	Materials	40880
650	Contract Work	18546
	Water Testing	4097
660	Transportation Expense	4211
664	Other Plant Maintenance	473
670	Office Salaries	23572
671	Management Salaries	70548
674	Employee Pensions and Benefits	55821
676	Uncollectables	557
678	Office Service and Rentals	5000
681	Office Supplies and Expense	9153
682	Professional Services	5388
684	Insurance	13317
688	Regulatory Expense	
689	General Expense	9658
	Subtotal	421109
403	Depreciation Expense	35150
	Ad Valorem Taxes	8850
	Payroll Taxes	11646
408	Taxes other than income	
409	State Income Tax	13589
410	Federal Income Tax	43594
	Total Deductions	533938
	Net Revenue	105271

PENNGROVE WATER COMPANY 2006 ANNUAL REPORT

	Rate Base	
	Average Plant	2,172,005
	Net Plant	1,662,901
	Less: Advances	30303
	Less: Contributions Ave Net	617,724
	Plus: Construction work in Progress	83,193
	Plus: Working Cash	35,092
	Plus: Materials & Supplies	6,752
	Rate Base	1,139,911
	ROR=Net Rec/Rate Base	9.23%

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 KAJOPAIYE
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.

INSTRUCTIONS

FOR PREPARATION OF

SELECTED FINANCIAL DATA SHEET

FOR CLASS A, B, C AND D, WATER UTILITIES

To prepare the attached data sheets, refer to the Balance Sheet, Income Statement and supporting detail schedules in the annual report for the required data.

Please follow the instruction below:

1. Common plant allocated to water should be indicated with water plant figures in Net Plant Investment.
2. The capitalization section for those reporting on both California Only and Total System Forms should be identical and completed with Total Company Data. Be sure that Advances for Construction include California water data only.
3. Complete the operation section with California water revenues and expenses, but if necessary, remove interdepartmental revenues and expenses.
4. All other utility and nonutility revenues and expenses are netted on Line No. 38.

NAME OF UTILITY Penngrove Water Co (707) PHONE 539-6367

PERSON RESPONSIBLE FOR THIS REPORT Karen h. Ball
 (Prepared from Information in the 2006 Annual Report)

	1/1/06	12/31/06	Average
BALANCE SHEET DATA			
1 Intangible Plant	<u>4000</u>	<u>4000</u>	<u>4000</u>
2 Land and Land Rights	<u>2002539</u>	<u>2333470</u>	<u>2168005</u>
3 Depreciable Plant	<u>2006039</u>	<u>2337470</u>	<u>2172005</u>
4 Gross Plant in Service	<u>507583</u>	<u>510624</u>	<u>509104</u>
5 Less: Accumulated Depreciation	<u>1498956</u>	<u>1926846</u>	<u>1662901</u>
6 Net Water Plant in Service	<u>6352</u>	<u>6352</u>	<u>6352</u>
7 Water Plant Held for Future Use	<u>65392</u>	<u>100994</u>	<u>83193</u>
8 Construction Work in Progress	<u>7175</u>	<u>6329</u>	<u>6752</u>
9 Materials and Supplies	<u>(37292)</u>	<u>(29314)</u>	<u>(30303)</u>
10 Less: Advances for Construction	<u>(618520)</u>	<u>(616927)</u>	<u>(617724)</u>
11 Less: Contribution in Aid of Construction	<u>()</u>	<u>()</u>	<u>()</u>
12 Less: Accumulated Deferred Income and Investment Tax Credits	<u>928063</u>	<u>1294280</u>	<u>111171</u>
13 Net Plant Investment			

CAPITALIZATION			
14 Common Stock	<u> </u>	<u> </u>	<u> </u>
15 Proprietary Capital (Individual or Partnership)	<u> </u>	<u> </u>	<u> </u>
16 Paid-in Capital	<u> </u>	<u> </u>	<u> </u>
17 Retained Earnings	<u>1097961</u>	<u>1490130</u>	<u>1294045</u>
18 Common Stock and Equity (Lines 14 through 17)	<u> </u>	<u> </u>	<u> </u>
19 Preferred Stock	<u> </u>	<u> </u>	<u> </u>
20 Long-Term Debt	<u> </u>	<u> </u>	<u> </u>
21 Notes Payable	<u> </u>	<u> </u>	<u> </u>
22 Total Capitalization (Lines 18 through 21)	<u>1097961</u>	<u>1490130</u>	<u>1294045</u>

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

INCOME STATEMENT

	Annual Amount
23 Unmetered Water Revenue	<u>3063</u>
24 Fire Protection Revenue	<u>1296</u>
25 Irrigation Revenue	
26 Metered Water Revenue	<u>634850</u>
27 Total Operating Revenue	<u>639209</u>
28 <u>Operating Expenses</u>	<u>421109</u>
29 Depreciation Expense (Composite Rate <u>2.42</u>)	<u>35150</u>
30 Amortization and Property Losses	
31 Property Taxes	<u>8850</u>
32 Taxes Other Than Income Taxes	<u>11646</u>
33 Total Operating Revenue Deduction Before Taxes	<u>162454</u>
34 California Corp. Franchise Tax	<u>13589</u>
35 Federal Corporate Income Tax	
36 Total Operating Revenue Deduction After Taxes	<u>43594</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>105271</u>

OTHER DATA

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

<u>Active Service Connections</u>	(Exc. Fire Protect.)	Jan. 1	Dec. 31	Annual Average
48 Metered Service Connections		<u>569</u>	<u>576</u>	<u>573</u>
49 Flat Rate Service Connections		<u> </u>	<u> </u>	<u> </u>
50 Total Active Service Connections		<u> </u>	<u> </u>	<u> </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. Total surcharge collected from customers during the 12 month reporting period:

\$ _____

3. 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	_____

4. Account information:

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

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

5. 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					
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 Highway
Santa Rosa, Calif 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:
same as above
- 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: _____
 Address: _____ Telephone: _____
- 7 OWNERSHIP. Check and fill in appropriate line:
- | | |
|-------------------------------------|--|
| <input type="checkbox"/> | Individual (name of owner) _____ |
| <input type="checkbox"/> | Partnership (name of partner) _____ |
| <input type="checkbox"/> | Partnership (name of partner) _____ |
| <input type="checkbox"/> | Partnership (name of partner) _____ |
| <input checked="" type="checkbox"/> | Corporation (corporate name) <u>Altos Sonoma Corporation</u> |
- Organized under laws of (state) _____
- 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: _____
- 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:
- | | |
|-------|-------------|
| _____ | Date: _____ |
| _____ | Date: _____ |
| _____ | Date: _____ |
| _____ | Date: _____ |
- 10 Use the space below for supplementary information or explanations concerning this report:

- 11 List Name, Grade, and License Number of all Licensed Operators:
- | | |
|-----------------|--------------------------|
| Karen L. Ball | T-II, D-II 16977, 18435 |
| James P. Bathke | I-III, D-II 19436, 18107 |
| Troy Bathke | T-I, D-II 23417, 27264 |

**SCHEDULE A
COMPARATIVE BALANCE SHEETS
Assets and other Debits**

Line No.	Acct. No.	Title of Account (a)	Schedule No. (b)	Balance End-of-Year (c)	Balance Beginning of Year (d)
1		UTILITY PLANT			
2	101	Water plant in service	A-1	2337470	2006544
3	103	Water plant held for future use	A-1 & A-1b	6352	6352
4	104	Water plant purchased or sold	A-1		
5	105	Water plant construction work in progress	A-1	100994	65392
6		Total utility plant			
7	106	Accumulated depreciation of water plant	A-3	510624	507583
8	114	Water plant acquisition adjustments	A-1		
9		Total amortization and adjustments			
10		Net utility plant		1934192	1570705
11		INVESTMENTS			
12	121	Non-utility property and other assets			
13	122	Accumulated depreciation of non-utility property	A-3		
14		Net non-utility property			
15	123	Investments in associated companies			
16	124	Other investments			
17		Total investments			
18		CURRENT AND ACCRUED ASSETS			
19	131	Cash		41083	42484
20	132	Special accounts		127723	128272
21	141	Accounts receivable - customers		59093	43755
22	142	Receivables from associated companies			
23	143	Accumulated provision for uncollectible accounts			
24	151	Materials and supplies		6329	7175
25	174	Other current assets			
26		Total current and accrued assets		234228	221686
27	180	Deferred charges	A-5		
28		Total assets and deferred charges		2168420	1792391

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	1490130	1097961
6		Total corporate capital and retained earnings		1490130	1097961
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	A-11	3435	5011
13	225	Advances from associated companies	A-12		
14		CURRENT AND ACCRUED LIABILITIES			
15	231	Accounts payable		28414	39177
16	232	Short term notes payable			
17	233	Customer deposits			
18	235	Payables to associated companies	A-13	200	425
19	236	Accrued taxes			
20	237	Accrued interest			
21	241	Other current liabilities	A-14		
22		Total current and accrued liabilities		28614	39602
23		DEFERRED CREDITS			
24	252	Advances for construction	A-15	29314	31292
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		29314	31292
30		CONTRIBUTIONS IN AID OF CONSTRUCTION			
31	271	Contributions in aid of construction	A-17	880915	833148
32	272	Accumulated amortization of contributions		(264048)	(114728)
33		Net contributions in aid of construction		616867	618420
34		Total liabilities and other credits		2168420	1792391

**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	2006544	384295	53369		2337470
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	65392	35602	xxxxxxxxxxxx		100994
5	114	Water plant acquisition adjustments			xxxxxxxxxxxx		
6		Total utility plant	2078288	419897	53369		2444816

* 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	17762				17761
7	307	Wells	2832				2832
8	317	Other water source plant	33252				33252
9	311	Pumping equipment	106611	2728			109339
10	320	Water treatment plant	4747				4747
11	330	Reservoirs, tanks and sandpipes	141005				141005
12	331	Water mains	1193617	333020	24000		1502637
13	333	Services and meter installations	270751	34523	5000		300274
14	334	Meters	82623	4595			87218
15	335	Hydrants	104904		4000		100904
16	339	Other equipment	10233	1345	6581		5027
17	340	Office furniture and equipment	19839	8084	13918		13105
18	341	Transportation equipment	15268				15268
19		Total depreciable plant	2002544				2333470
20		Total water plant in service	2006544	384295	53369		2337470

* 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	1999		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		
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	507583		
2	Add: Credits to reserves during year			
3	(a) Charged to Account No. 403 (Footnote 1)	35150		
4	(b) Charged to Account No 272	21320		
5	(c) Charged to clearing accounts			
6	(d) Salvage recovered			
7	(e) All other credits (Footnote 2)			
8	Total Credits	56470		
9	Deduct: Debits to reserves during year			
10	(a) Book cost of property retired	53369		
11	(b) Cost of removal			
12	(c) All other debits (Footnote 3)	60		
13	Total debits			
14	Balance in reserve at end of year	510624		
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: 2006 PUC report correction			
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"/>		

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	4461	430			4891
2	307	Wells	745	69			814
3	317	Other water source plant	8785	807			9592
4	311	Pumping equipment	29080	2646			30726
5	320	Water treatment plant	966	115			1081
6	330	Reservoirs, tanks and sandpipes	37139	3412			40551
7	331	Water mains	28464	35422	24000		296067
8	333	Services and meter installations	61361	7668	5000		64029
9	334	Meters	19538	2111			21649
10	335	Hydrants	26017	2529	4000		24556
11	339	Other equipment	8484	230	6551		2163
12	340	Office furniture and equipment	23546	653	13818		10380
13	341	Transportation equipment	3916	369			4185
14		2005 PUC correction			60		607
Total			507583	56470	53429		510624

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		

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								
3								
4								
5								
6								
							Total	

SCHEDULE A-7
Record of Stockholders at End of Year

Line No.	COMMON STOCK	Number of Shares (b)	PREFERRED STOCK	Number of Shares (d)
	Name (a)		Name (c)	
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	1097961
2	CREDITS	
3	Net income	105271
4	Prior period adjustments	
5	Other credits (detail) <i>Altos Sonoma Corporation</i>	286898
6	Total credits	392169
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	1490130

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	
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	3435	6.99			310
2										
3										
4										
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					
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					
3					
4	Totals				

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

Line No.	Description (a)	Balance End of Year (b)
1	Accounts Payable	28414
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	xxxxxxxxxxxxxxxx	31292
2	Additions during year	xxxxxxxxxxxxxxxx	
3	Subtotal - Beginning balance plus additions during year	xxxxxxxxxxxxxxxx	
4	Charges during year:	xxxxxxxxxxxxxxxx	
5	Refunds	xxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxx
6	Percentage of revenue basis	1978	xxxxxxxxxxxxxxxx
7	Proportionate cost basis		xxxxxxxxxxxxxxxx
8	Present worth basis		xxxxxxxxxxxxxxxx
9	Total refunds	1978	xxxxxxxxxxxxxxxx
10	Transfers to Acct. 271, Contributions in aid of Construction	xxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxx
11	Due to expiration of contracts		xxxxxxxxxxxxxxxx
12	Due to present worth discount		xxxxxxxxxxxxxxxx
13	Total transfers to Acct. 271		xxxxxxxxxxxxxxxx
14	Securities Exchanged for Contracts (Enter detail below)		xxxxxxxxxxxxxxxx
15	Subtotal - charges during year		
16	Balance end of year	xxxxxxxxxxxxxxxx	29314

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			

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 Property in Service After Dec. 31, 1954		Not Subject to Amortization	
			Depreciable (c)	Non-Depreciable (d)	Property Retired Before Jan. 1, 1955 (e)	Depreciation Accrued Through Dec. 31, 1954 on Property in Services at Dec. 31, 1954 (f)
1	Balance beginning of year	833248	833248			
2	Add: Credits to account during year					
3	Contributions received during year	47727	47727			
4	Other credits*					
5	Total credits	880975	880975			
6	Deduct: Debits to Account during year					
7	Depreciation charges for year	21316				
8	Nondepreciable donated property retired					
9	Other debits*	29000				
10	Total debits accumulated	264048	264048			
11	Balance end of year	616927	616927			

* 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	639209
3		OPERATING REVENUE DEDUCTIONS		
4	401	Operating expenses	B-2	421109
5	403	Depreciation expense	A-3	35150
6	407	SDWBA loan amortization expense	pages 7 & 8	
7	408	Taxes other than income taxes	B-3	20496
8	409	State corporate income tax expense	B-3	13589
9	410	Federal corporate income tax expense	B-3	43594
10		Total operating revenue deductions		533938
11		Total utility operating income		105271
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		105271
17		Net income		

SCHEDULE B-1
Account No. 400 - Operating Revenues

Line No.	Acct. No.	Account (a)	Amount Current Year (b)	Amount Preceeding Year (c)	Net Change During Year Show Decrease in [Brackets] (d)
1		WATER SERVICE REVENUES			
2	460	Unmetered water revenue	3063	-	3063
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			
8		Sub-total	3063		3063
9	462	Fire protection revenue			
10		462.1 Public fire protection			
11		462.2 Private fire protection	1296		1296
12		Sub-total	1296		1296
13	465	Irrigation revenue			
14	470	Metered water revenue			
15		470.1 Single-family residential	567176	480813	86363
16		470.2 Commercial and multi-residential	39425	45909	(6484)
17		470.3 Large water users	28249	20472	7777
18		470.5 Safe Drinking Water Bond Surcharge			
19		470.9 Other metered revenue			
20		Sub-total	634850		
21		Total water service revenues			
22	480	Other water revenue			
23		Total operating revenues	639209	547194	92015

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	119701	101059	18642
4	615	Power	7120	5266	1854
5	616	Other volume related expenses	694	242	42
6		Total volume related expenses	127105	106567	20538
7		NON-VOLUME RELATED EXPENSES			
8	630	Employee labor	34026	29951	4075
9	640	Materials	40880	7679	33201
10	650	Contract work (11)	22643	21148	1495
11	660	Transportation expenses	4211	4020	191
12	664	Other plant maintenance expenses	473	427	46
13		Total non-volume related expenses	102233	63230	39003
14		Total plant operation and maintenance exp.	229338	169797	59541
15		ADMINISTRATIVE AND GENERAL EXPENSES			
16	670	Office salaries	23572	20564	3008
17	671	Management salaries (12)	70548	64982	1566
18	674	Employee pensions and benefits (13)	55821	40562	15258
19	676	Uncollectible accounts expense	557	503	54
20	678	Office services and rentals	5000	4290	710
21	681	Office supplies and expenses	953	6469	(684)
22	682	Professional services (14)	5388	5559	(170)
23	684	Insurance	13317	14141	(824)
24	688	Regulatory commission expense			
25	689	General expenses (15)	9658	9986	(672)
26		Total administrative and general expenses	193014	170456	22558
27	800	Expenses capitalized	(1243)	(1260)	(17)
28		Net administrative and general expense	191771	169196	22575
29		Total operating expenses	421109	338993	82116

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	8850	8850	
2	State corporate franchise tax	13589	13589	
3	State unemployment insurance tax	728	728	
4	Other state and local taxes	10694	10694	
5	Federal unemployment insurance tax	224	224	
6	Federal insurance contributions act			
7	Other federal taxes			
8	Federal income taxes	43594	43594	
9				
10				
11	Totals	77679	77679	

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, followed by additional deductions and non-taxable income):	
3		
4		
5	<i>please see attached note</i>	
6		
7		
8		
9		
10	Federal tax net income	
11	Computation of tax:	
12		
13		
14		
15		
16		
17		

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	chevy 3-10	310
2		
3		
4		
5		
6		
7		
8		
9		
10	Total	310

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	32783	1243	34026
2	670	Office salaries	1	23572	-	23572
3	671	Management salaries	2	70548	-	70548
4						
5						
6		Total	4	126903	1243	128146

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
 	Split 66/34	
<u>13,589</u>	State Taxes	<u>7,000</u>
	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	
<u>28,909</u>		<u>14,893</u>
<u>43,594</u>		<u>22,458</u>

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								
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: (Yes 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.	
5	Please see notes (16)	
6	3. Date of original contract or agreement.	
7	4. Date of each supplement or agreement.	
8	5. Amount of compensation paid during the year for supervision or management \$ 0	
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 Please see notes (17)	\$ 56728
17	(b) Charged to capital amounts	\$ 393215
18	(c) Charged to other account	\$
19	Total	\$ 449943
20	11. Distribution of charges to operating expenses by primary accounts	
21	Number and Title of Account	Amount
22	Please see notes (18)	\$ 185246
23		\$ 4710
24		\$ 33472
25	Total	\$ 56728
26	12. What relationship, if any, exists between respondent and supervisory and/or managing concerns? None.	
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						Pumping Capacity (Unit) 2	Annual Quantities Pumped (Unit) 2	Remarks
Line No.	At Plant (Name or Number)	Location	Number	Dimensions	1 Depth to Water			
6	Canon Marsh		1	12"	200'	250 gpm	14,261 CCF	
7								
8								
9								
10								

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

Purchased Water for Resale	
16	Purchased from <u>Sanoma County Water Agency</u>
17	Annual Quantities purchased (Unit chosen) 1
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	1		
10	Wood			
11	Metal	1	2/2000 gal	
12	Concrete			
13	Totals	1		

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								
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								
8	Lined 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)								54	
13	Concrete									
14	Copper									
15	Riveted steel									
16	Standard screw			4080	5082		390			
17	Screw or welded casing									
18	Cement - asbestos						2365		90980	
19	Welded steel									
20	Wood									
21	Other (specify) <i>Plastic</i>			2020	300		1929		19794	9680
22	Totals			8100	5382		4665		60788	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							2420
24	Cast iron (cement lined)								576
25	Concrete								
26	Copper								
27	Riveted steel								
28	Standard screw								11542
29	Screw or welded casing								
30	Cement - asbestos								33245
31	Welded steel								
32	Wood								
33	Other (specify) <i>Plastic</i>	2576							36290
34	Totals	4996							83557

SCHEDULE D-4
Number of Active Service Connections

Classification	Metered - Dec 31		Flat Rate - Dec 31	
	Prior	Current	Prior	Current
	Year	Year	Year	Year
Single family residential	544	551		
Commercial and Multi-residential	20	20		
Large water users	5	5		
Public authorities				
Irrigation				
Other (specify)				
Subtotal	569	576		
Private fire connections	2	3		
Public fire hydrants	66	64		
Total	637	643		

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

Size	Meters	Services
5/8 x 3/4 - in	536	XXXXXXXXXXXX
3/4 - in		
1 - in	52	
2 - in	5	
- in		
- in		
- in		
- in		
Other		
Total	593	

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 . . .	31 Meters replaced
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	360
2. More than 10, but less than 15 years	233
3. More than 15 years	

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

Classification of Service	During Current Year								Subtotal
	January	February	March	April	May	June	July		
Single-family residential	5187	4389	4736	4741	9190	12322	13269	49793	
Commercial and Multi-residential	3	3	2	2	2	3	3	18	
Large water users	65	67	304	366	375	1430	1916	4517	
Public authorities									
Irrigation									
Other (specify)									
Total	5255	4459	5042	5109	9567	13755	15882	59069	
Classification of Service	During Current Year							Total Prior Year	
	August	September	October	November	December	Subtotal	Total		
Single-family residential	14057	11090	8263	6793	5056	45259	99793	100034	
Commercial and Multi-residential	2	3	3	3	3	14	32	29	
Large water users	1980	1110	787	188	103	4168	8685	4655	
Public authorities									
Irrigation									
Other (specify)									
Total	16039	12203	9053	6984	5162	49444	108510	106407	

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

Total acres irrigated N/A

Total population served ~1450

**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?	N/A 7 If so, on what date? N/A

**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 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. Ball
Officer, Partner or Owner
of Pennersville 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 11/06
(date)

to and including 12/31/06
(date)

SIGNED Karen L. Ball
Title Manager
Date 3/27/07

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**Notes for 2006 Annual Report
 Penngrove Water Company**

1) Checking	35,614
 Money Market	26,633
	<u>62,247 x .66 =</u>
	41,083

2) Penngrove Facilities Fee 127,723

**3) 6" CM Production
 Meter 2,728**

4) PHR 2576' 10"	Company	CIAC
 54' 6"		
 w/BO		
 327,860	296,420	31,440
Chester B/O	<u>5,160</u>	
	301,580	
	<u><u>330,020</u></u>	

5) 5 Service renew	16,610		
 7 new service	<u>1,626</u>	Roberts	127
	18,236	Cousens	5235
		Sheehan	3925
		Krause	2500
		Ferina	550
		Louk	<u>3950</u>
			16,287

34,523

6) Difuser

 Chlorimeter	
 Handtools	1,345

7) Replace 2 desktop computers &

Add one server unit 8,084

**8) Remove 24,000 & 4,000 from water plant in service
For 6" main w/2 hydrants @ 110 Woodward, now covered
Under Private Fire Protection Tariff, as well as reduce acct #
271 (Contributed Plant) 28,000.**

**9) To account for several years dispersals and balance to actual
Physical inventory**

**10) To remove 5 renewed services on Grove , Davis, & ORH, /
1986 advance contract values**

11) Contract Labor	18,546
Water Testing	<u>4,097</u>
	22,643

12) Karen	50,748
Jim	<u>19,800</u>
	70,548

13) SEP/ Major Medical

14) Computer tech	678
Acctg.	<u>4,710</u>
	5,388

15) User Use	7,516
General	<u>2,142</u>
	9,658

**16) Von Renner Construction
North Bay Construction
Dimensions 4 Engineering
JPB Environmental Services (operations)
Good & Fowler (accounting)**

17) a. operating expenses		
	JPB Environmental Services }	
	Good & Fowler	56,728
b. Capital accounts		
	Von Renner Construction }	
	North Bay Construction	
	Dimensions 4 Engineering }	<u>393,235</u>
		449,963
18) #650(2) Contract Labor (Operations)	18,546	
#682(2) Legal & Prof. (accounting)	4,710	
# 640 General repairs	<u>33,728</u>	
		56,728