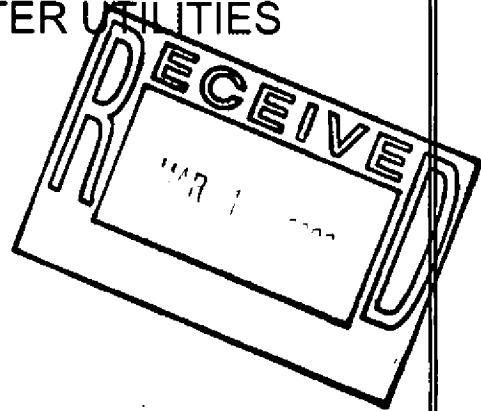


✓ J

Received _____
Examined _____

CLASS D
WATER UTILITIES

U# _____



2005
ANNUAL REPORT
OF

SERENO DEL MAR WATER COMPANY

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

PO BOX 457 FORESTVILLE, CA 95436-0457

(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)

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
ATTENTION: 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.

| Account Number | Operating Revenue | |
|----------------|--------------------------------|----------------|
| 470 | Metered | 73,841 |
| 460 | Unmetered | - |
| 465 | Irrigation | - |
| 462-480 | Private Fire Protection | - |
| | Total Revenue | 73,841 |
| | Operating Expenses | |
| 610 | Purchased Water | 600 |
| 615 | Purchased Power | 4,385 |
| | Pump Taxes | |
| | Purchased Chemicals | |
| 618 | Other Vol. Related exp. | |
| 630 | Employee Labor | |
| 640 | Materials | 3,786 |
| 650 | Contract Work | 29,928 |
| | Water Testing | 6,116 |
| 660 | Transportation Expense | |
| 664 | Other Plant Maintenance | |
| 670 | Office Salaries | |
| 671 | Management Salaries | |
| 674 | Employee Pensions and Benefits | |
| 676 | Uncollectables | |
| 678 | Office Service and Rentals | 4,514 |
| 681 | Office Supplies and Expense | 2,959 |
| 682 | Professional Services | 6,473 |
| 684 | Insurance | 4,794 |
| 688 | Regulatory Expense | 994 |
| 689 | General Expense | |
| | Subtotal | 64,549 |
| 403 | Depreciation Expense | 3,295 |
| | Ad Valorem Taxes | |
| | Payroll taxes | |
| 408 | Taxes other than income | 6,683 |
| 409 | State Income Tax | 800 |
| 410 | Federal Income Tax | |
| | Total Deductions | 10,778 |
| | Net Revenue | (1,486) |
| | Rate Base | |

CLASS D WATER UTILITIES

(HAVING LESS THAN 500 SERVICE CONNECTIONS)

SERENO DEL MAR WATER COMPANY

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

PO BOX 457 FORESTVILLE, CA 95436-0457

(Official mailing address)

SERENO DEL MAR AND GLEASON BEACH SUBDIVISIONS

(Service area-town and county)

GENERAL INFORMATION

**RETURN ORIGINAL
TO COMMISSION
NO PHOTOCOPIES**

- 1 If a corporation show:
 (A) Date of organization 1991 incorporated in the State of CALIFORNIA
 (B) Names, titles and addresses of principal officers:

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

RUSSIAN RIVER UTILTY
- 3 Name and telephone number of: **HAL WOOD, PRESIDENT: JAMIE DUNTON, SECRETARY 707-887-7735**
 (A) One person listed above to receive correspondence: **HAL WOOD, PO BOX 730 FORESTVILLE, CA 95436-0730**
 (B) Person responsible for operations and services: **JAMIE DUNTON**
- 4 Were any contracts or agreements in effect with any organization or person covering service, supervision and/or management of your business affairs during the year? Yes or No
 If so, what was the nature and the amount of each payment made under the agreement, to whom were payments made, and to what account was each payment charged? **CONTRACT FOR O&M WITH RUSSIAN RIVER UTILITY 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:

RUSSIAN RIVER UTILITY & SERENO DEL MAR WATER CO.

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 | 8-2002 |
| X | | |
| X | | 9-3-2002 |
| N/A | | |
| N/A | | |

SPECIAL INSTRUCTIONS (over)

| DEPOSITS 2005 SDM - SRF | PAID TO DATE | INTEREST EARNED | PAYMENT TO BANK |
|------------------------------------|-------------------------|----------------------------|----------------------------|
| | | | |
| 690.61 | 2829.11 | 10.96 | 90 |
| 1148.44 | 5161.05 | 9.84 | 45 |
| 1371.14 | 2764.25 | 11.42 | 45 |
| 2800.04 | 5225.91 | 14.54 | 45 |
| 1462.16 | | 17.05 | |
| 1942.33 | | 17.36 | |
| 1295.64 | | 14.32 | |
| 3202.27 | | 17.23 | |
| 2611.01 | | 20.22 | |
| 1327.83 | | 22.02 | |
| 2178.87 | | 22.74 | |
| 830.91 | | 24.42 | |
| 1178.86 | | 24.42 | |
| | | | |
| 22040.11 | -15980.32 | 202.12 | 225 |

| | |
|--------------------------|-----------|
| Carnet paid | 3,910.25 |
| 9 Permits paid | 4,591.80 |
| Collected from customers | 13,538.06 |
| Collected from SDM | 22,040.11 |

**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: CALIFORNIA BANK & TRUST
Address: 1321 BROADWAY, SACRAMENTO, CA 95818
Phone Number: 916-443-5761 FAX: 916-446-1289
Date Hired: 4/12/2001

2. Former Fiscal Agent:

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

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

\$ 17,448.31

4. Summary of the trust bank account activities showing:

| | |
|-------------------------------------|---------------------|
| Balance at beginning of year | <u>\$ 30,751.26</u> |
| Deposits during the year | <u>22,040.11 **</u> |
| Withdrawals made for loan payments | <u>(15,980.32)</u> |
| Other withdrawals from this account | <u>(22.88)</u> |
| Balance at end of year | <u>36,788.17</u> |

5. Account information:

Bank Name: CALIFORNIA BANK & TRUST
Account Number: 10-300545-09
Date Opened: 4-12-2001

**** COLLECT SRF FROM NEW CONNECTIONS AS PER CPUC REQUIREMENTS**

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 | 20,000 | | | | 20,000 |
| 3 | 303 | Land | | | | | |
| 4 | | Total non-depreciable plant | | | | | |
| 5 | | DEPRECIABLE PLANT | | | | | |
| 6 | 304 | Structures | 50,000 | | | | 50,000 |
| 7 | 307 | Wells | | | | | |
| 8 | 317 | Other water source plant | | | | | |
| 9 | 311 | Pumping equipment | 5,000 | | | | 5,000 |
| 10 | 320 | Water treatment plant | 150,000 | | | | 150,000 |
| 11 | 330 | Reservoirs, tanks and sandpipes | | | | | |
| 12 | 331 | Water mains | 25,000 | | | | 25,000 |
| 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 | 250,000 | | | | 250,000 |

SCHEDULE A - BALANCE SHEET (DECEMBER 31, 2005)

| Line | Acct. | Assets | Balance | Acct. | Equity and Liabilities | Balance |
|------|-------|---|----------------|-------|---|----------------|
| 1 | 101 | Water plant in service | 635,117 | 201 | Common Stock (Corporations only) | 29,450 |
| 2 | 103 | Water plant held for future use | | 211 | Other paid-in capital (Corporations only) | |
| 3 | 104 | Water plant purchased or sold | | 215 | Retained earnings | 44,726 |
| 4 | 105 | Water plant construction work in progress | | 218 | Proprietary capital | |
| 5 | 108 | Accumulated depreciation of water plant | 101,880 | 224 | Long term debt | 209,461 |
| 6 | 114 | Water plant acquisition adjustments | | | Current Liabilities | |
| 7 | 124 | Other investments | | 252 | Advances for construction | |
| 8 | 131 | Cash | | 253 | Other deferred credits | |
| 9 | 141 | Accounts receivable - customers | | 255 | Accumulated deferred investment tax credits | |
| 10 | 142 | Receivables from associated companies | | 282 | Accumulated deferred income taxes - Acrs | |
| 11 | 151 | Materials and supplies | | | depreciation | |
| 12 | 174 | Other current assets | | 283 | Accumulated deferred income taxes - other | |
| 13 | 180 | Deferred charges | | 271 | Contributions in aid of construction | 249,600 |
| 14 | | | | 272 | Accumulated amortization of contributions | |
| 15 | | Total Assets | 533,237 | | Total Equity and Liabilities | 533,237 |

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 | 54,604 | | | | 54,604 |
| 17 | 303 | Land | | | | | |
| 18 | 304 | Structures | 52,871 | | | | 52,871 |
| 19 | 307 | Wells | 32,029 | | | | 32,029 |
| 20 | 317 | Other water source plant | 4,020 | | | | 4,020 |
| 21 | 311 | Pumping equipment | 17,153 | | | | 17,153 |
| 22 | 320 | Water treatment plant | 158,900 | | | | 158,900 |
| 23 | 330 | Reservoirs tanks and sandpipes | 184,157 | | | | 184,157 |
| 24 | 331 | Water mains | 90,473 | | | | 90,473 |
| 25 | 333 | Services and meter installations | 15,566 | | | | 15,566 |
| 26 | 334 | Meters | 9,167 | | | | 9,167 |
| 27 | 335 | Hydrants | 18,025 | | | | 18,025 |
| 28 | 339 | Other equipment | 9,852 | | | | 9,852 |
| 29 | 340 | Office furniture and equipment | | | | | |
| 30 | 341 | Transportation equipment | | | | | |
| 31 | | Total water plant in service | 635,117 | | | | 635,117 |

* 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 | 98,585 | | 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 | | | $2.5\% \times 131,700 = 3,295/\text{YR}$ |
| 35 | (b) Charged to Account No. 272 | | | D-99-10005 |
| 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 | 3,295 | | covered by this report \$ |
| 40 | Deduct: Debits to reserves during year | | | |
| 41 | (a) Book cost of property retired | | | |
| 42 | (b) Cost of removal | | | C. State method used to compute tax |
| 43 | (c) All other debits | | | depreciation. |
| 44 | Total debits | | | |
| 45 | Balance in reserve at end of year | 101,880 | | |
| 46 | (1) Explanation of all other credits | | | |
| 47 | (2) Explanation of all other debits | | | |

SCHEDULE D - CAPITAL STOCK OUTSTANDING (DECEMBER 31, 2005)

| | | | | |
|------|---|-------------------------------------|--------|---|
| Line | 1 | Common - (Shares 2,945 , \$ 10 par) | 29,450 | List persons owning more than 5% of outstanding stock and number of shares owned by each: |
| | 2 | Preferred - (Shares , \$ par) | | |
| | 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 | | | | | | | | |
| 6 | N/A | | | | | | | |
| 7 | | | | | | | | |
| 8 | Totals | | | | | | | |

SCHEDULE F - INCOME STATEMENT

| | | | |
|----|-----|--------------------------------------|------------|
| 9 | | Operating revenues | XXXXXXXXXX |
| 10 | 460 | Unmetered water revenue | |
| 11 | 462 | Fire protection revenue | |
| 12 | 465 | Irrigation revenue | |
| 13 | 470 | Metered water revenue | 73,841 |
| 14 | 480 | Other water revenue | 6,067 |
| 15 | | Total Operating Revenue | 79,908 |
| 16 | | Operating revenue deductions | XXXXXXXXXX |
| 17 | | Operating expenses | XXXXXXXXXX |
| 18 | 610 | Purchased water | 600 |
| 19 | 615 | Power | 4,385 |
| 20 | 618 | Other volume related expenses | |
| 21 | 630 | Employee labor | |
| 22 | 640 | Materials | 3,786 |
| 23 | 650 | Contract work | 29,928 |
| 24 | 660 | Transportation expenses | |
| 25 | 664 | Other plant maintenance expense | 6,116 |
| 26 | 670 | Office salaries | |
| 27 | 671 | Management salaries | |
| 28 | 674 | Employee pensions and benefits | |
| 29 | 676 | Uncollectible accounts expense | |
| 30 | 678 | Office services and rentals | 4,514 |
| 31 | 681 | Office supplies and expense | 2,959 |
| 32 | 682 | Professional services | 6,473 |
| 33 | 684 | Insurance | 4,794 |
| 34 | 688 | Regulatory commission expense | 994 |
| 35 | 689 | General expenses | |
| 36 | | Total Operating Expenses | 64,549 |
| 37 | 403 | Depreciation expense | 3,295 |
| 38 | 407 | SDWBA loan amortization expense | |
| 39 | 408 | Taxes other than income taxes | 6,683 |
| 40 | 409 | State corporate income tax expense | 800 |
| 41 | 410 | Federal corporate income tax expense | |
| 42 | | Total Operating Revenue Deductions | 10,778 |
| 43 | | Utility Operating Income | (4,581) |
| 44 | 421 | Non-utility income | |
| 45 | 426 | Miscellaneous non-utility expense | |
| 46 | 427 | Interest expense | |
| 47 | | Net Income | 4,581 |

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 |
|----------|-----|------------|---------------------|---------------------------|--------------------------|
| WELLS | 1 | 6 | 20 | 5 | 0 |
| | 4B | 6 | 20 | 3 | 0 |
| | 5 | 6 | 20 | 2 | 0 |
| | 6 | 6 | 20 | 5 | 0 |
| | 7 | 6 | 20 | 5 | 0 |
| | 8 | 6 | 20 | 5 | 0 |
| | 9 | 6 | 20 | 6 | 0 |

OTHER

| Streams or springs location of diversion point | Flow in | | (Unit) Diversions | | Annual quantities diverted (Unit) |
|--|----------------|-------|-------------------|-----|-----------------------------------|
| | Priority right | Claim | Capacity | Max | |
| SIDE HILL WELL | 1 | 7 | 7 | 1 | .64 |
| WELL 3 | 1 | 20 | 20 | 1 | .91 |
| WELL 4 | 1 | 20 | 20 | 1 | .75 |
| Purchased water (unit) | | | | | Annual quantity |
| Supplier: CARMET SPRING | | | | | |
| GALLONS: | | | | | 4.37 |
| | | | | | 6.67 MG |

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 | MG Total for year |
|---------------------------|-----------------|-----------------|-------------------|
| Residential & business | | | 4.24 |
| Industrial | | | |
| Public authorities | | | |
| Irrigation | | | |
| Other (specify) | | | |
| Total | | | 4.24 |

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 | | | | |
| 49 | 670 | Office salaries | | | | |
| 50 | 671 | Management salaries | | | | |
| 51 | | Total | | | | |

Allowable profit (Rate of Margin)

Class D = 25% 0.25 x 64,549 = \$16,137

RATE OF MARGIN 4,581

64,549 = 7.1% (2005) AUTHORIZED

25%

SCHEDULE J - ADVANCES FOR CONSTRUCTION

| | |
|---|--------|
| Balance beginning of year | 54,896 |
| Additions during year | 45,000 |
| Subtotal - Beginning balance plus additions during year | |
| Refunds | |
| Transfers to Acct. 271 - Contributions in Aid of Construction | |
| Balance end of year | 99,896 |

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

| Size | Meters | Services |
|--------------|--------|----------|
| 5/8 x 3/4-in | 109 | 109 |
| 3/4-in | | |
| 1-in | 10 | 10 |
| -in | 47 | 47 |
| -in | | |
| Total | 166 | 166 |

SCHEDULE L - METER-TESTING DATA

| | |
|---|---|
| Number of meters tested during year | |
| 1 Used, before repair | 0 |
| 2 Used, after repair | 0 |
| 3 Fast, requiring refund | 0 |
| Numbers of meters in service requiring test per General Order No. 103 | |

SCHEDULE M - SERVICE CONNECTIONS AT END OF YEAR

| Classification | Active | | | Inactive | | | Total connections | |
|----------------------------|---------|------|-------|----------|------|-------|-------------------|------|
| | Metered | Flat | Total | Metered | Flat | Total | Metered | Flat |
| Residences | 119 | | | 47 | | | 166 | |
| Industrial | | | | | | | | |
| Other (specify) | | | | | | | | |
| Subtotal | | | | | | | | |
| Fire protection (Hydrants) | | 23 | | | | | | 23 |
| Total | 119 | 23 | | 47 | | | 166 | 47 |

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 | Footage | | | | Totals |
|-----------------|-----|------------------------------|-----------------|--------------|----------------|-----|-----------------------|--------|
| | | | | 2" and under | 2 1/4 to 3 1/4 | 4" | Other sizes (specify) | |
| Concrete | | | Cast iron | | | | | |
| Earth | | | Welded steel | | | | | |
| Wood | 2 | 90,000 | Standard screw | | | | | |
| Steel | | 212,000 | Cement-asbestos | | | 450 | 16,100 | 16,550 |
| Other | | | Plastic | 5,000 | 2,000 | | | |
| Other (specify) | | | Other (specify) | | | | | |
| PLASTIC | | 10,000 | | | | | | |
| STAINLESS | | 4,800 | | | | | | |
| Total | | 316,800 | Total | 5,000 | 2,000 | 450 | 16,100 | 23,550 |

DECLARATION

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

I, the undersigned (officer, partner or owner) of **SERENO DEL MAR 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**, 2005, to and including **DECEMBER 31**, 2005

Signed
PRESIDENT (H. E. HOOD)
 Title

Date