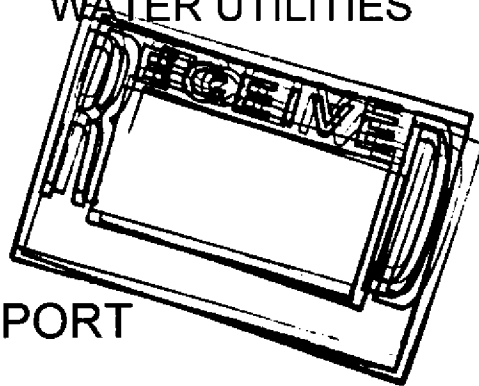


Received _____
Examined _____

CLASS D
WATER UTILITIES

U# _____



2005
ANNUAL REPORT
OF

Canada Woods Water Company
(NAME UNDER WHICH CORPORATION, PARTNERSHIP, OR INDIVIDUAL IS DOING BUSINESS)

7145 Carmel Valley Road, Carmel, CA 93923
(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 calander year, from Janauary 1 through December 31. Fiscal year reports will not be accepted.

PEASLEY, ALDINGER & O'BYMACHOW
AN ACCOUNTANCY CORPORATION

2120 MAIN STREET, SUITE 265
HUNTINGTON BEACH, CALIFORNIA 92648

MATT A. PEASLEY, CPA
CHRISTIAN L. ALDINGER, CPA

(714) 536-4418
FAX (714) 536-2039

ACCOUNTANT'S COMPILATION REPORT

April 17, 2006

Canada Woods Water Company
7145 Carmel Valley Road
Carmel, CA 93923

We have compiled the balance sheet of Canada Woods Water Company, LLC (Water system) as of December 31, 2005, and the related income statement for the year ended December 31, 2005, included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. We have also compiled the supplementary information included on page 7 (Schedules B & C), page 8 (Schedules D, & E), pages 3 and 4 of Selected Financial Data - Class D Water Companies 2005 and the Summary of Earnings (no page number).

Our compilation was limited to presenting, in the form prescribed by the Public Utilities Commission of the State of California, information that is the representation of management. We have not audited or reviewed the accompanying financial statements, and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements (including related disclosures) are presented in accordance with the requirements of the Public Utilities Commission of the State of California, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

The supplementary information contained on page 1 (General Information) and page 8 (Schedules G, H & I) and page 9 (Schedules K, L, M, N & O) of the accompanying prescribed form has not been audited, reviewed, or compiled by us, and, accordingly, we assume no responsibility for that information.

PEASLEY, ALDINGER & O'BYMACHOW
AN ACCOUNTANCY CORPORATION



Matt A. Peasley
Certified Public Accountant

**Summary of Earnings
Test Year 2005**

Account Number	Operating Revenue	
470	Metered	98,607
460	Unmetered	902
465	Irrigation	96,633
462-480	Private Fire Protection	-
	Total Revenue	196,142
	Operating Expenses	
610	Purchased Water	-
615	Purchased Power	67,440
	Pump Taxes	-
	Purchased Chemicals	14,520
618	Other Vol. Related exp.	296,224
630	Employee Labor	125,681
640	Materials	15,087
650	Contract Work	104,711
	Water Testing	7,809
660	Transportation Expense	-
664	Other Plant Maintenance	42,809
670	Office Salaries	118,544
671	Management Salaries	71,537
674	Employee Pensions and Benefits	
676	Uncollectables	
678	Office Service and Rentals	3,468
681	Office Supplies and Expense	6,796
682	Professional Services	54,015
684	Insurance	32,347
688	Regulatory Expense	-
689	General Expense	16,095
	Subtotal	977,083
403	Depreciation Expense	21,707
	Ad Valorem Taxes	
	Payroll taxes	
408	Taxes other than income	-
409	State Income Tax	800
410	Federal Income Tax	
	Total Deductions	999,590
	Net Revenue	(803,448)
	Rate Base	
	Average Plant	5,614,174
	Average Depreciation Reserve	(302,080)
	Net Plant	5,312,094
	Less: Advances	
	Less: Contributions	(5,584,616)
	Plus: Construction Work in Progress	992,853
	Plus: Working Cash	
	Plus: Material & Supplies	
	Rate Base	720,331
	ROR=Net Rev/Rate Base	-111.539%

See Accompanying Accountant's Compilation Report

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

Canada Woods Water Company, LLC

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

7145 Carmel Valley Road, Carmel, California 93923

(Official mailing address)

Carmel Valley, Monterey County

(Service area-town and county)

GENERAL INFORMATION

RETURN ORIGINAL TO COMMISSION NO PHOTOCOPIES

- 1 If a corporation show: **N/A**
- 2 If unincorporated give the name and address of owner or of each partner: **(Organized as a Delaware limited liability company)**
 - (i) Date of organization **09/05/97** organized in the State of **DELAWARE**
 - (ii) Date of foreign registration **09/22/97** registered in the State of **CALIFORNIA**
 - (iii) Partners (LLC Members) **Canada Woods, LLC, Member**
c/o Howard M. Bernstein, Manager, Kaufman, Bernstein, Oberman et al. 2049 Century Park East, Suite 2500
Los Angeles, CA 90067-3127
- Monterra Ranch Properties, LLC, Member**
c/o Roger E. Mills, Manager P.O. Box 3070 Salinas, CA 93912-3070
- (B) Names, titles and addresses of principal officers **Michael Waxer, Manager**
Alan Williams, Manager c/o Canada Woods Water Company 7145 Carmel Valley Road, Carmel, CA 93923
- 3 Name and telephone number of:
 - (A) One person listed above to receive correspondence: **Alan Williams, Manager (831) 625-1066**
Courtesy copy to:
Derinda L. Messenger, Esq., Lombardo & Gilles
318 Cayuga Street, Salinas, CA 93901
Phone: (831) 754-2444
 - (B) Person responsible for operations and services: **Pete Garneau (831)656-9266**
Carmel Lahaina Utility Services
- 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) **YES**
 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?
Operation of water system: Carmel Lahaina Utility Services, Inc. \$7,568 a/c 618, \$152,513 a/c 630, \$118,544 a/c 670 \$58,271 a/c 671.
- 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:
 - (i) **Canada Woods, LLC, a Delaware limited liability company;**
 - (ii) **Clinton Eastwood, Trustee of the 1988 Clinton Eastwood Trust (1997 Restatement) U/D/T dated 05/23/97;**
 - (iii) **Margaret Eastwood, Trustee of the Margaret Eastwood Trust U/D/T dated 08/21/90;**
 - (iv) **Monterra Ranch Properties, LLC, a California limited liability company;**
 - (v) **Basil E. Mills, Trustee of the Mills Family Trust, the Non-Exempt Marital Trust, Trust B, dated 05/02/80; and**
 - (vi) **Roger E. Mills, Trustee of the Roger E. Mills Living Trust dated 02/12/87**

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		8/30/05
X		Monthly
	x	DHS jurisdiction changed
		TMF scheduled to be submitted to State by 5/31/06
		n/a

SPECIAL INSTRUCTIONS (over)

SPECIAL INSTRUCTIONS

- 1 Beginning of year balances must agree with end of year balances shown in report for previous year.
Attach a supplementary statement to explain any differences.
- 2 Attach a supplementary statement to explain adjustments in Schedule B - Water Plant in Service.
- 3 Complete all schedules, using the words "None" or "Not applicable" if appropriate.
- 4 Report must be prepared legibly in ink or by typewriter.

SELECTED FINANCIAL DATA - CLASS A, B, C AND D WATER COMPANIES
2005

NAME OF UTILITY Canada Woods Water Company

PHONE (831) 625-1066

PERSON RESPONSIBLE FOR THIS REPORT Alan Williams, Manager

(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	-	-	-
3 Depreciable Plant	4,937,076	6,291,272	5,614,174
4 Gross Plant in Service	4,937,076	6,291,272	5,614,174
5 Less: Accumulated Depreciation	(340,572)	(263,587)	(302,080)
6 Net Water Plant in Service	4,596,504	6,027,685	5,312,095
7 Water Plant Held for Future Use	-	-	-
8 Construction Work in Progress	1,576,196	409,510	992,853
9 Materials and Supplies	-	-	-
10 Less: Advances for Construction	-	-	-
11 Less: Contribution in Aid of Construction (1)	(5,488,509)	(5,680,722)	(5,584,616)
12 Less: Accumulated Deferred Income and Investment Tax Credits	-	-	-
13 Net Plant Investment	<u>684,191</u>	<u>756,473</u>	<u>720,332</u>

(1) Includes Deferred Credits related to CIAC

CAPITALIZATION			
14 Common Stock	-	-	-
15 Proprietary Capital (Individual or Partnership)	516,060	884,710	700,385
16 Paid-in Capital	-	-	-
17 Retained Earnings	-	-	-
18 Common Stock and Equity (Lines 14 through 17)	<u>516,060</u>	<u>884,710</u>	<u>700,385</u>
19 Preferred Stock	-	-	-
20 Long-Term Debt	-	-	-
21 Notes Payable	-	-	-
22 Total Capitalization (Lines 18 through 21)	<u>516,060</u>	<u>884,710</u>	<u>700,385</u>

(Revised 2/01)

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

2005

(continued)

NAME OF UTILITY Canada Woods Water Company PHONE (831)625-1066

		Annual Amount
INCOME STATEMENT		
23	Unmetered Water Revenue	902
24	Fire Protection Revenue	-
25	Irrigation Revenue	96,633
26	Metered Water Revenue	98,607
27	Total Operating Revenue	196,142
28	<u>Operating Expenses</u>	977,083
29	Depreciation Expense (Composite Rate <u>2.51%</u>)	21,707
30	Amortization and Property Losses	-
31	Property Taxes	-
32	Taxes Other Than Income Taxes	-
33	Total Operating Revenue Deduction Before Taxes	998,790
34	California Corp. Franchise Tax	800
35	Federal Corporate Income Tax	-
36	Total Operating Revenue Deduction After Taxes	999,590
37	Net Operating Income (Loss) - California Water Operations	(803,448)
38	Other Operating and Nonoper. Income and Exp. - Net (Exclude Interest Expense)	(2,363)
39	Income Available for Fixed Charges	(805,811)
40	Interest Expense	-
41	Net Income (Loss) Before Dividends	(805,811)
42	Preferred Stock Dividends	-
43	Net Income (Loss) Available for Common Stock	(805,811)
OTHER DATA		
44	Refunds of Advances for Construction	0
45	Total Payroll Charged to Operating Expenses	0
46	Purchased Water	0
47	Power	67,440

<u>Active Service Connections</u>		(Exc. Fire Protect.)	Jan. 1	Dec. 31	Annual Average
48	Metered Service Connections		85	102	93.5
49	Flat Rate Service Connections			0	0
50	Total Active Service Connections		85	102	93.5

**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: **N/A**

Name: _____

Address: _____

Phone Number: _____

Date Hired: _____

2. Former Fiscal Agent:

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: _____

6. Plant amounts included in Schedule A, Account No. 101--Water Plant in Service
 which were funded using SDWBA funds: **N/A**

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					

SCHEDULE A - BALANCE SHEET (DECEMBER 31, 2005)

Line	Acct.	Assets	Balance	Acct.	Equity and Liabilities	Balance
1	101	Water plant in service	6,291,272	201	Common Stock (Corporations only)	
2	103	Water plant held for future use		211	Other paid-in capital (Corporations only)	
3	104	Water plant purchased or sold		215	Retained earnings	
4	105	Water plant construction work in progress	409,510	218	Proprietary capital	884,710
5	108	Accumulated depreciation of water plant	(263,587)	224	Long term debt	
6	114	Water plant acquisition adjustments			Current Liabilities	136,712
7	124	Other investments		252	Advances for construction	
8	131	Cash	225,975	253	Other deferred credits	350,437
9	141	Accounts receivable - customers	9,907	255	Accumulated deferred investment tax credits	
10	142	Receivables from associated companies		282	Accumulated deferred income taxes - Acrs	
11	151	Materials and supplies	17,482		depreciation	
12	174	Other current assets	5,775	283	Accumulated deferred income taxes - other	
13	180	Deferred charges	5,810	271	Contributions in aid of construction	5,609,142
14				272	Accumulated amortization of contributions	(278,857)
15		Total Assets	6,702,144		Total Equity and Liabilities	6,702,144

SCHEDULE B - WATER PLANT IN SERVICE

Line	Acct	Title of Account	Balance Beg of Year	Plt Additions During year	Plt Retirements During year	Other Debits or (Credits)	Balance End of year
16	301	Intangible plant	-	-			-
17	303	Land	-	-			-
18	304	Structures	90,000	28,000			118,000
19	307	Wells	323,000	-	140,000		183,000
20	317	Other water source plant	-	-			-
21	311	Pumping equipment	444,739	120,302	50,000		515,041
22	320	Water treatment plant	483,063	12,322			495,385
23	330	Reservoirs tanks and sandpipes	672,500	174,254			846,754
24	331	Water mains	2,632,220	1,181,993			3,814,213
25	333	Services and meter installations	79,300	7,650			86,950
26	334	Meters	43,018	10,912			53,930
27	335	Hydrants	160,000	7,725			167,725
28	339	Other equipment	355	530			885
29	340	Office furniture and equipment	8,881	508			9,389
30	341	Transportation equipment	-	-			-
31		Total water plant in service	4,937,076	1,544,196	190,000	-	6,291,272

* 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	340,572		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	21,707		Composite 2.51%
35	(b) Charged to Account No. 272	119,008		
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	140,715		covered by this report \$ n/a
40	Deduct: Debits to reserves during year			
41	(a) Book cost of property retired	190,000		
42	(b) Cost of removal	27,700		C. State method used to compute tax
43	(c) All other debits			depreciation. n/a
44	Total debits	217,700		
45	Balance in reserve at end of year	263,587		
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	\$	par)	N/A
2	Preferred - (Shares	\$	par)	N/A
3	Dividends - Common	Rate - \$		N/A
4	- Preferred	Rate - \$		N/A

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	96,633
13	470 Metered water revenue	98,607
14	480 Other water revenue	902
15	Total Operating Revenue	196,142
16	Operating revenue deductions	xxxxxxxxxx
17	Operating expenses	xxxxxxxxxx
18	610 Purchased water	-
19	615 Power	67,440
20	618 Other volume related expenses	318,553
21	630 Employee labor	125,681
22	640 Materials	15,087
23	650 Contract work	104,711
24	660 Transportation expenses	
25	664 Other plant maintenance expense	42,809
26	670 Office salaries	118,544
27	671 Management salaries	71,537
28	674 Employee pensions and benefits	
29	676 Uncollectible accounts expense	
30	678 Office services and rentals	3,468
31	681 Office supplies and expense	6,796
32	682 Professional services	54,015
33	684 Insurance	32,347
34	688 Regulatory commission expense	-
35	689 General expenses	16,095
36	Total Operating Expenses	977,083
37	403 Depreciation expense	21,707
38	407 SDWBA loan amortization expense	
39	408 Taxes other than income taxes	-
40	409 State corporate income tax expense	800
41	410 Federal corporate income tax expense	
42	Total Operating Revenue Deductions	999,590
43	Utility Operating Income	(803,448)
44	421 Non-utility income	
45	426 Miscellaneous non-utility expense	2,363
46	427 Interest expense	
47	Net Income	(805,811)

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
Via Malpaso	HW1	10	566	300	-
Via Malpaso	HW2	10	567	300	3,573,400
Via Malpaso	HW3	6	365	45	253,366
River Well	RW1	8	66	66	144,920
River Well	RW2	8	65	65	9,152

OTHER

Streams or springs location of diversion point	Flow in		(Unit) Divisions		Annual quantities diverted (Unit)
	Priority right	Capacity	Max	Min	
n/a					
Purchased water (unit)					Annual quantity
Supplier:					n/a

SCHEDULE H - OPTIONAL WATER DELIVERED TO METERED CUSTOMERS

(If figures are available) (specify unit) gallons

Classification of service	Max. mo. Mo. Of Aug	Min. mo. Mo. Of Jan	Total for year
Residential & business			
Industrial			
Public authorities			
Irrigation			
Other (specify)			
Total	-	-	-

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	N/A			
50	671	Management salaries				
51		Total				

SCHEDULE J - ADVANCES FOR CONSTRUCTION

Balance beginning of year	
Additions during year	N/A
Subtotal - Beginning balance plus additions during year	
Refunds	
Transfers to Acct. 271 - Contributions in Aid of Construction	
Balance end of year	

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

Size	Meters	Services
5/8 x 3/4-in	2	2
3/4-in	3	3
1-in	69	69
1.5'-in	13	13
2-in	13	13
3-in	1	1
4-in	1	1
Total	102	102

SCHEDULE L - METER-TESTING DATA

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

SCHEDULE M - SERVICE CONNECTIONS AT END OF YEAR

Classification	Active			Inactive			Total connections	
	Metered	Flat	Total	Metered	Flat	Total	Metered	Flat
Residential	77		77				77	0
			0				0	0
Industrial			0				0	0
Other (specify) Commercial	14		14				14	0
Irrigation & Construction *	11		11				11	0
Subtotal	102		102				102	0
Fire protection (Hydrants)		63	63				0	63
Total	102	63	165				102	63

NOTE: Total connections (metered plus flat) should agree with total services in Schedule K. * Temp services with meters

SCHEDULE N - STORAGE FACILITIES

SCHEDULE O - FOOTAGES OF PIPE (EXCLUDING SERVICE PIPES)

Description	No.	Combined capacity in gallons	Description	2" and under	2 1/4 to 3 1/4	4"	6"	8"	12"	Totals
				Other sizes (specify)						
Concrete	1	79,000	Cast Iron (ductile)				5648			5648
Earth			Welded steel							0
Wood			Standard screw							0
Steel	16	876,000	Cement-asbestos							0
Other			Plastic		3166	305	27330	50410	12230	93441
			Other (specify)							0
Total	17	446,000	Total	-	3166	305	32978	50410	12230	99089

DECLARATION

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

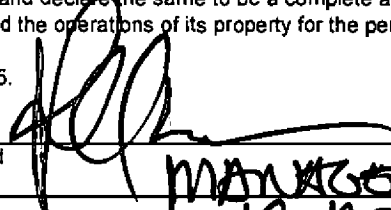
I, the undersigned (officer, partner or owner) of Canada Woods Water Company (Name of utility) under penalty of perjury do declare that this report has been prepared by me, or under my direction, from the books, papers and records of the respondent; that I have carefully examined the same, and declare 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

Title

Date


MANAGER
19 APRIL 2006