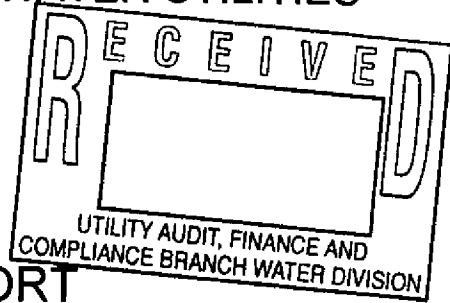


34

Received _____

Examined _____

CLASS D
WATER UTILITIES



U# _____

2006
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, 2006

REPORT MUST BE FILED NOT LATER THAN MARCH 31, 2007
(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.

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 25, 2007

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

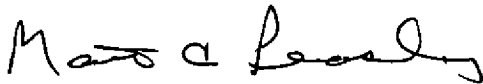
We have compiled the balance sheet of Canada Woods Water Company, LLC (Water system) as of December 31, 2006, and the related income statement for the year ended December 31, 2006, included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services 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 2006 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 2006

Account Number	Operating Revenue	
470	Metered	200,217
460	Unmetered	1,616
465	Irrigation	119,001
462-480	Private Fire Protection	-
	Total Revenue	320,834
	Operating Expenses	
610	Purchased Water	-
615	Purchased Power	87,937
	Pump Taxes	-
	Purchased Chemicals	17,382
618	Other Vol. Related exp.	228,492
630	Employee Labor	156,569
640	Materials	11,939
650	Contract Work	643
	Water Testing	16,233
660	Transportation Expense	-
664	Other Plant Maintenance	16,143
670	Office Salaries	84,293
671	Management Salaries	21,918
674	Employee Pensions and Benefits	
676	Uncollectables	
678	Office Service and Rentals	3,475
681	Office Supplies and Expense	6,312
682	Professional Services	107,919
684	Insurance	23,619
688	Regulatory Expense	-
689	General Expense	29,714
	Subtotal	812,588
403	Depreciation Expense	24,998
	Ad Valorem Taxes	
	Payroll taxes	
408	Taxes other than income	200
409	State Income Tax	800
410	Federal Income Tax	
	Total Deductions	838,586
	Net Revenue	(517,752)
	Rate Base	
	Average Plant	6,341,218
	Average Depreciation Reserve	(334,707)
	Net Plant	6,006,511
	Less: Advances	
	Less: Contributions	(5,615,076)
	Plus: Construction Work in Progress	412,122
	Plus: Working Cash	
	Plus: Material & Supplies	
	Rate Base	803,557
	ROR=Net Rev/Rate Base	-64.433%

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. \$7,973 a/c 105, \$15,969 a/c 618, \$169,624 a/c 630, \$1,635 a/c 640, \$84,293 a/c 670, \$21,918 a/c 671, \$848 a/c 681, \$3,066 a/c 689.
- 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	
X		Monthly
	X	DHS working on
X		Application made May 2006
		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
2006

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

PERSON RESPONSIBLE FOR THIS REPORT Alan Williams, Manager
(Prepared from Information in the 2006 Annual Report)

	1/1/06	12/31/06	Average
BALANCE SHEET DATA			
1 Intangible Plant	-	-	-
2 Land and Land Rights	-	-	-
3 Depreciable Plant	6,291,272	6,391,164	6,341,218
4 Gross Plant in Service	6,291,272	6,391,164	6,341,218
5 Less: Accumulated Depreciation	(263,587)	(405,826)	(334,707)
6 Net Water Plant in Service	6,027,685	5,985,338	6,006,512
7 Water Plant Held for Future Use	-	-	-
8 Construction Work in Progress	409,510	414,733	412,122
9 Materials and Supplies	-	-	-
10 Less: Advances for Construction	-	-	-
11 Less: Contribution in Aid of Construction (1)	(5,680,722)	(5,549,430)	(5,615,076)
12 Less: Accumulated Deferred Income and Investment Tax Credits	-	-	-
13 Net Plant Investment	<u>756,473</u>	<u>850,641</u>	<u>803,558</u>

(1) Includes Deferred Credits related to CIAC

CAPITALIZATION			
14 Common Stock	-	-	-
15 Proprietary Capital (Individual or Partnership)	884,710	783,597	834,154
16 Paid-in Capital	-	-	-
17 Retained Earnings	-	-	-
18 Common Stock and Equity (Lines 14 through 17)	884,710	783,597	834,154
19 Preferred Stock	-	-	-
20 Long-Term Debt	-	-	-
21 Notes Payable	-	-	-
22 Total Capitalization (Lines 18 through 21)	<u>884,710</u>	<u>783,597</u>	<u>834,154</u>

(Revised 2/01)

SELECTED FINANCIAL DATA - CLASS A, B, C AND D WATER COMPANIES
2006
(continued)

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

		Annual Amount
INCOME STATEMENT		
23	Unmetered Water Revenue	1,616
24	Fire Protection Revenue	-
25	Irrigation Revenue	119,001
26	Metered Water Revenue	200,217
27	Total Operating Revenue	320,834
28	<u>Operating Expenses</u>	812,588
29	Depreciation Expense (Composite Rate <u>2.46%</u>)	24,998
30	Amortization and Property Losses	
31	Property Taxes	
32	Taxes Other Than Income Taxes	200
33	Total Operating Revenue Deduction Before Taxes	837,786
34	California Corp. Franchise Tax	800
35	Federal Corporate Income Tax	
36	Total Operating Revenue Deduction After Taxes	838,586
37	Net Operating Income (Loss) - California Water Operations	(517,752)
38	Other Operating and Nonoper. Income and Exp. - Net (Exclude Interest Expense)	(2,363)
39	Income Available for Fixed Charges	(520,115)
40	Interest Expense	-
41	Net Income (Loss) Before Dividends	(520,115)
42	Preferred Stock Dividends	
43	Net Income (Loss) Available for Common Stock	(520,115)
OTHER DATA		
44	Refunds of Advances for Construction	0
45	Total Payroll Charged to Operating Expenses	0
46	Purchased Water	0
47	Power	87,937

				Annual Average
<u>Active Service Connections</u> (Exc. Fire Protect.)		Jan. 1	Dec. 31	
48	Metered Service Connections	102	114	108
49	Flat Rate Service Connections	0	0	0
50	Total Active Service Connections	102	114	108

**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, 2006)

Line	Acct.	Assets	Balance	Acct.	Equity and Liabilities	Balance
1	101	Water plant in service	6,391,164	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	414,733	218	Proprietary capital	783,597
5	108	Accumulated depreciation of water plant	(405,826)	224	Long term debt	
6	114	Water plant acquisition adjustments			Current Liabilities	167,132
7	124	Other investments		252	Advances for construction	
8	131	Cash	73,190	253	Other deferred credits	350,437
9	141	Accounts receivable - customers	(1,050)	255	Accumulated deferred investment tax credits	
10	142	Receivables from associated companies		282	Accumulated deferred income taxes - Acrs	
11	151	Materials and supplies	17,893		depreciation	
12	174	Other current assets	6,608	283	Accumulated deferred income taxes - other	
13	180	Deferred charges	3,447	271	Contributions in aid of construction	5,598,604
14				272	Accumulated amortization of contributions	(399,611)
15		Total Assets	6,500,159		Total Equity and Liabilities	6,500,159

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	118,000	-	-	-	118,000
19	307	Wells	183,000	4,703	6,500	-	181,203
20	317	Other water source plant	-	-	-	-	-
21	311	Pumping equipment	515,041	45,964	5,200	-	555,805
22	320	Water treatment plant	495,385	30,165	1,600	-	523,950
23	330	Reservoirs tanks and sandpipes	846,754	28,810	750	-	874,814
24	331	Water mains	3,814,213	-	-	-	3,814,213
25	333	Services and meter installations	86,950	-	-	-	86,950
26	334	Meters	53,930	2,198	-	-	56,128
27	335	Hydrants	167,725	-	-	-	167,725
28	339	Other equipment	885	1,818	-	-	2,703
29	340	Office furniture and equipment	9,389	284	-	-	9,673
30	341	Transportation equipment	-	-	-	-	-
31		Total water plant in service	6,291,272	113,942	14,050	-	6,391,164

* 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	263,587		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	24,998		Composite 2.46%
35	(b) Charged to Account No. 272	131,291		
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	156,289		covered by this report \$ n/a
40	Deduct: Debits to reserves during year			
41	(a) Book cost of property retired	14,050		
42	(b) Cost of removal	-		C. State method used to compute tax
43	(c) All other debits			depreciation. n/a
44	Total debits	14,050		
45	Balance in reserve at end of year	405,826		
46	(1) Explanation of all other credits			
47	(2) Explanation of all other debits			

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

Line	Common - (Shares, \$ par)	Preferred - (Shares, \$ par)	Dividends - Common Rate - \$	Dividends - Preferred Rate - \$	List persons owning more than 5% of outstanding stock and number of shares owned by each:
1					
2					
3					
4					

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	119,001
13	470 Metered water revenue	200,217
14	480 Other water revenue	1,616
15	Total Operating Revenue	320,834
16	Operating revenue deductions	xxxxxxxxxx
17	Operating expenses	xxxxxxxxxx
18	610 Purchased water	-
19	615 Power	87,937
20	618 Other volume related expenses	262,107
21	630 Employee labor	156,569
22	640 Materials	11,939
23	650 Contract work	643
24	660 Transportation expenses	
25	664 Other plant maintenance expense	16,143
26	670 Office salaries	84,293
27	671 Management salaries	21,918
28	674 Employee pensions and benefits	
29	676 Uncollectible accounts expense	
30	678 Office services and rentals	3,475
31	681 Office supplies and expense	6,312
32	682 Professional services	107,919
33	684 Insurance	23,619
34	688 Regulatory commission expense	-
35	689 General expenses	29,714
36	Total Operating Expenses	812,588
37	403 Depreciation expense	24,998
38	407 SDWBA loan amortization expense	
39	408 Taxes other than income taxes	200
40	409 State corporate income tax expense	800
41	410 Federal corporate income tax expense	
42	Total Operating Revenue Deductions	838,586
43	Utility Operating Income	(517,752)
44	421 Non-utility income	
45	426 Miscellaneous non-utility expense	2,363
46	427 Interest expense	
47	Net Income	(520,115)

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 (gals)
Via Malpaso	HW1	10	566	300	-
Via Malpaso	HW2	10	567	300	18,674,867
Via Malpaso	HW3	6	365	45	1,237,446
River Well	RW1	8	66	100	5,047,654
River Well	RW2	8	65	100	1,863,926

OTHER

Streams or springs location of diversion point	Flow in		(Unit) Diversions		Annual quantities diverted (Unit)
	Priority right		Max	Min	
n/a	Claim	Capacity			
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	3	3
3/4-in	3	3
1-in	67	67
1.5'-in	17	17
2-in	24	24
3-in		
4-in		
Total	114	114

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	92		92				92	0
			0				0	0
Industrial			0				0	0
Other (specify) Commercial	19		19				19	0
Irrigation & Construction *	3		3				3	0
Subtotal	114		114				114	0
Fire protection (Hydrants)		63	63				0	63
Total	114	63	177				114	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" Other sizes (specify)	8"	12"	Totals
Earth			Welded steel							0
Wood			Standard screw							0
Steel	16	876,000	Cement-asbestos							0
Other			Plastic		3166	305	27410	54310	12230	97421
			Other (specify)							0
Total	17	446,000	Total	-	3166	305	33058	54310	12230	103069

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, 2006, to and including December 31, 2006

Signed _____

Title _____

Date _____