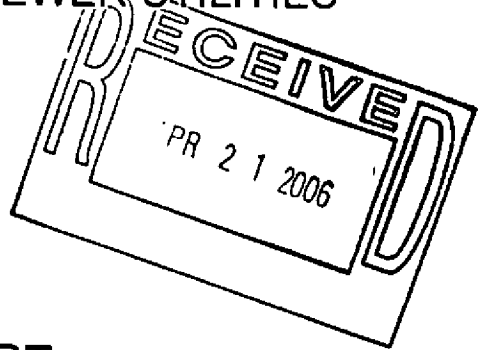


Received _____
 Examined _____

SEWER 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

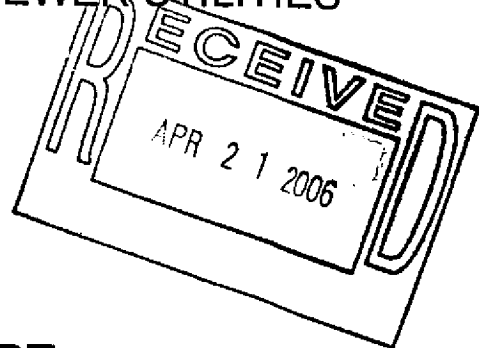
1. One completed copy of this report (two copies if three received) must be filed **NOT LATER THAN MARCH 31**, following the year covered by the report, with:

**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 calendar year, from January 1 through December 31. Fiscal year reports will not be accepted.

Received _____
 Examined _____

SEWER UTILITIES



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 OF

Canada Woods Water Company

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7145 Carmel Valley Road, Carmel CA 93923

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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 (Sewer 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 5 (Schedules B & C), page 6 (Schedules D, E, & G), page 7 (Schedule H), and pages 3 and 4 of Selected Financial Data - Class D Sewer Companies 2005.

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 7 (Schedules I, J, K, L & M) 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

CLASS D SEWER 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 sewer system: Carmel Lahaina Utility Services, Inc. \$26,585 a/c 618, \$80,980 a/c 630, \$13,266 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
		n/a
		n/a
		n/a
		n/a
		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 - Sewer 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 SEWER 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	3,037,725	3,483,364	3,260,545
4 Gross Plant in Service	3,037,725	3,483,364	3,260,545
5 Less: Accumulated Depreciation	(442,827)	(544,220)	(493,524)
6 Net Water Plant in Service	2,594,898	2,939,144	2,767,021
7 Water Plant Held for Future Use	-	-	-
8 Construction Work in Progress	326,500	331,723	329,112
9 Materials and Supplies	-	-	-
10 Less: Advances for Construction	-	-	-
11 Less: Contribution in Aid of Construction (1)	(2,573,293)	(2,888,770)	(2,731,032)
12 Less: Accumulated Deferred Income and Investment Tax Credits	-	-	-
13 Net Plant Investment	<u>348,105</u>	<u>382,097</u>	<u>365,101</u>
 (1) Includes Deferred Credits related to CIAC			
CAPITALIZATION			
14 Common Stock	-	-	-
15 Proprietary Capital (Individual or Partnership)	344,189	380,027	362,108
16 Paid-in Capital	-	-	-
17 Retained Earnings	-	-	-
18 Common Stock and Equity (Lines 14 through 17)	344,189	380,027	362,108
19 Preferred Stock	-	-	-
20 Long-Term Debt	-	-	-
21 Notes Payable	-	-	-
22 Total Capitalization (Lines 18 through 21)	<u>344,189</u>	<u>380,027</u>	<u>362,108</u>

(Revised 2/01)

SELECTED FINANCIAL DATE - 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 Revenue	<u>23,777</u>
24	Metered Revenue	<u>-</u>
25	Total Operating Revenue	<u>23,777</u>
26	<u>Operating Expenses</u>	<u>214,446</u>
27	Depreciation Expense (Composite Rate 3.07%)	<u>17,720</u>
28	Amortization and Property Losses	<u>-</u>
29	Property Taxes	<u>-</u>
30	Taxes Other Than Income Taxes	<u>-</u>
31	Total Operating Revenue Deduction Before Taxes	<u>232,166</u>
32	California Corp. Franchise Tax	<u>-</u>
33	Federal Corporate Income Tax	<u>-</u>
34	Total Operating Revenue Deduction After Taxes	<u>232,166</u>
35	Net Operating Income (Loss) - California Water Operations	<u>(208,389)</u>
36	Other Operating and Nonoper. Income and Exp. - Net (Exclude Interest Expense)	<u>-</u>
37	Income Available for Fixed Charges	<u>(208,389)</u>
38	Interest Expense	<u>-</u>
39	Net Income (Loss) Before Dividends	<u>(208,389)</u>
40	Preferred Stock Dividends	<u>-</u>
41	Net Income (Loss) Available for Common Stock	<u>(208,389)</u>

OTHER DATA

42	Refunds of Advances for Construction	<u>-</u>
43	Total Payroll Charged to Operating Expenses	<u>-</u>
44	Purchased Water	<u>-</u>
45	Power	<u>14,388</u>

		Jan. 1	Dec. 31	Annual Average
<u>Active Service Connections</u> (Exc. Fire Protect.)				
46	Metered Service Connections	<u>0</u>	<u>0</u>	<u>0</u>
47	Flat Rate Service Connections	<u>73</u>	<u>91</u>	<u>82</u>
48	Total Active Service Connections	<u>73</u>	<u>91</u>	<u>82</u>

SCHEDULE A - BALANCE SHEET (DECEMBER 31, 2005)

Line	Acct.	Assets	Balance	Acct.	Equity and Liabilities	Balance
1	101	Plant in service	3,483,364	201	Common Stock (Corporations only)	
2	103	Plant held for future use		211	Other paid-in capital (Corporations only)	
3	104	Plant purchased or sold		215	Retained earnings	
4	105	Plant construction work in progress	331,723	218	Proprietary capital	380,027
5	108	Accumulated depreciation of plant	(544,220)	224	Long term debt	
6	114	Plant acquisition adjustments			Current Liabilities	2,070
7	124	Other investments		252	Advances for construction	
8	131	Cash		253	Other deferred credits	304,500
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	3,031,050
14				272	Accumulated amortization of contributions	(446,780)
15		Total Assets	3,270,867		Total Equity and Liabilities	3,270,867

SCHEDULE B - SEWER 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	195,000				195,000
19	307	Wells					-
20	317	Other source plant					-
21	311	Pumping equipment	377,575	110,796			488,371
22	320	Treatment plant	909,000	7,443			916,443
23	330	Reservoirs	140,000	40,000			180,000
24	331	Mains	1,357,150	255,900			1,613,050
25	333	Services and meter installations	59,000	31,500			90,500
26	334	Meters					-
27	339	Other equipment					-
28	340	Office furniture and equipment					-
29	341	Transportation equipment					-
30		Total Plant in service	3,037,725	445,639	-	-	3,483,364

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

SCHEDULE C - RESERVE FOR DEPRECIATION OF UTILITY PLANT

Line	Item	Account 106 Plant	
32	Balance in reserves at beginning of year	442,827	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	17,720	Composite 3.11%
35	(b) Charged to Account No. 272	83,673	
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	101,393	covered by this report \$ n/a
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. n/a
44	Total debits		
45	Balance in reserve at end of year	544,220	
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)
2	Preferred - (Shares	, \$	par)
3	Dividends - Common	Rate - \$	NA
4	- Preferred	Rate - \$	

SCHEDULE E - LONG TERM DEBT

	Class	Date of Issue	Date of Maturity	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	xxxxxx
10	460	Unmetered revenue	23,777
11	470	Metered revenue	
12	480	Other revenue	
13		Total Operating Revenue	23,777
14		Operating revenue deductions	xxxxxx
15		Operating expenses	xxxxxx
16	610	Purchased water	
17	615	Power	14,388
18	618	Other volume related expenses	44,779
19	630	Employee labor	114,997
20	640	Materials	7,951
21	650	Contract work	4,863
22	660	Transportation expenses	
23	664	Other plant maintenance expense	17,722
24	670	Office salaries	
25	671	Management salaries	
26	674	Employee pensions and benefits	
27	676	Uncollectible accounts expense	
28	678	Office services and rentals	-
29	681	Office supplies and expense	-
30	682	Professional services	7,856
31	684	Insurance	
32	688	Regulatory commission expense	
33	689	General expenses	1,890
34		Total Operating Expenses	214,446
35	403	Depreciation expense	17,720
36	408	Taxes other than income taxes	
37	409	State corporate income tax expense	
38	410	Federal corporate income tax expense	
39		Total Operating Revenue Deductions	232,166
40		Utility Operating Income	(208,389)
41	421	Non-utility income	
42	426	Miscellaneous non-utility expense	
43	427	Interest expense	
44		Net Income	(208,389)

SCHEDULE G - EMPLOYEES AND THEIR COMPENSATION

Line	Acct	Account	Salaries Charged to Expense	Salaries Charged to Plant Accounts	Total Salaries and Wages Paid
45	630	Employee Labor			
46	670	Office salaries	N/A		
47	671	Management salaries			
48		Total			

SCHEDULE H - ADVANCES FOR CONSTRUCTION

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

**SCHEDULE I - TOTAL METERS
AND SERVICES (active and inactive)**

Size	Meters	Services
-in		91
-in		
-in		
-in		
-in		
Total		

SCHEDULE J - METER-TESTING DATA

Number of meters tested during year		
1	Used, before repair...	n/a
2	Used, after repair	
3	Fast, requiring refund ..	

SCHEDULE K - SERVICE CONNECTIONS AT END OF YEAR

Classification	Active			Inactive			Total connections	
	Metered	Flat	Total	Metered	Flat	Total	Metered	Flat
Residences		77	77				0	77
			0				0	0
Industrial			0				0	0
Other (specify) Commercial		14	14				0	14
			0				0	0
Total		91	91				0	91

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

SCHEDULE L - STORAGE FACILITIES

SCHEDULE M - FOOTAGES OF PIPE (EXCLUDING SERVICE PIPES)

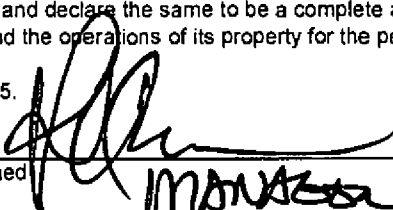
Description	No.	Combined capacity in gallons	Description	2" and	2 1/4 to	4"	6"	Totals
				under	3 1/4		Other sizes (specify)	
Concrete	6	30,000	Cast Iron					
Earth			Welded steel					
Wood			Standard screw					
Steel	2	136,000	Cement-asbestos					
Other			Plastic		13200	73620	10186	97006
			Other (specify)					
Total		166,000	Total		13200	73620	10186	97006

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 LLC (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 MANAGER
 Date 19 APRIL 2006