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Received _____
Examined _____

SEWER UTILITIES

U# _____

2000
ANNUAL REPORT
OF

MHC Acquisition One L.L.C.

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

Two North Riverside Plaza

Chicago, IL 60606

(OFFICIAL MAILING ADDRESS)

ZIP

TO THE
PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
FOR THE
YEAR ENDED DECEMBER 31, 2000

REPORT MUST BE FILED NOT LATER THAN MARCH 31, 2001
(FILE TWO COPIES IF THREE RECEIVED)

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.

**CLASS B, C AND D SEWER 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-1a, Account No. 101--Sewer 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 sewer plant in service	-	-	-	-	-

SELECTED FINANCIAL DATA - CLASS A, B, C AND D SEWER COMPANIES
2000

NAME OF UTILITY MHC Acquisition One, L.L.C. PHONE 312-279-1418

PERSON RESPONSIBLE FOR THIS REPORT Anne Bucher

(Prepared from Information in the 2000 Annual Report)

BALANCE SHEET DATA	1/1/00	12/31/00	Average
1 Intangible Plant	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
2 Land and Land Rights	<u>-</u>	<u>-</u>	<u>-</u>
3 Depreciable Plant	<u>298,274</u>	<u>298,274</u>	<u>298,274</u>
4 Gross Plant in Service	<u>308,274</u>	<u>308,274</u>	<u>308,274</u>
5 Less: Accumulated Depreciation	<u>(114,128)</u>	<u>(131,586)</u>	<u>(122,857)</u>
6 Net Sewer Plant in Service	<u>194,146</u>	<u>176,688</u>	<u>185,417</u>
7 Sewer Plant Held for Future Use	<u>-</u>	<u>-</u>	<u>-</u>
8 Construction Work in Progress	<u>-</u>	<u>-</u>	<u>-</u>
9 Materials and Supplies	<u>-</u>	<u>-</u>	<u>-</u>
10 Less: Advances for Construction	<u>-</u>	<u>-</u>	<u>-</u>
11 Less: Contribution in Aid of Construction	<u>-</u>	<u>-</u>	<u>-</u>
12 Less: Accumulated Deferred Income and Investment Tax Credits	<u>-</u>	<u>-</u>	<u>-</u>
13 Net Plant Investment	<u><u>194,146</u></u>	<u><u>176,688</u></u>	<u><u>185,417</u></u>
CAPITALIZATION			
14 Common Stock	<u>-</u>	<u>-</u>	<u>-</u>
15 Proprietary Capital (Individual or Partnership)	<u>271,700</u>	<u>272,921</u>	<u>272,311</u>
16 Paid-in Capital	<u>-</u>	<u>-</u>	<u>-</u>
17 Retained Earnings	<u>-</u>	<u>-</u>	<u>-</u>
18 Common Stock and Equity (Lines 14 through 17)	<u>271,700</u>	<u>272,921</u>	<u>272,311</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><u>271,700</u></u>	<u><u>272,921</u></u>	<u><u>272,311</u></u>

(Revised 2/01)

SELECTED FINANCIAL DATA - CLASS A, B, C AND D SEWER COMPANIES
2000

NAME OF UTILITY MHC Acquisition One, L.L.C. PHONE 312-279-1418

			Annual Amount
23	Unmetered Sewer Revenue		77,980
24	Fire Protection Revenue		-
25	Irrigation Revenue		-
26	Metered Sewer Revenue		-
27	Total Operating Revenue		77,980
28	<u>Operating Expenses</u>		390,422
29	Depreciation Expense (Composite Rate <u>1.42%</u>)		17,458
30	Amortization and Property Losses		-
31	Property Taxes		2,060
32	Taxes Other Than Income Taxes		-
33	Total Operating Revenue Deduction Before Taxes		409,940
34	California Corp. Franchise Tax		400
35	Federal Corporate Income Tax		-
36	Total Operating Revenue Deduction After Taxes		410,340
37	Net Operating Income (Loss) - California Sewer Operations		(332,360)
38	Other Operating and Nonoper. Income and Exp. - Net (Exclude Interest Expense)		2,640
39	Income Available for Fixed Charges		(329,720)
40	Interest Expense		-
41	Net Income (Loss) Before Dividends		(329,720)
42	Preferred Stock Dividends		-
43	Net Income (Loss) Available for Common Stock		(329,720)

OTHER DATA

44	Refunds of Advances for Construction	-
45	Total Payroll Charged to Operating Expenses	-
46	Purchased Sewer	-
47	Power	-

	<u>Active Service Connections</u>	(Exc. Fire Protect.)	Jan. 1	Dec. 31	Annual Average
48	Metered Service Connections		-	-	-
49	Flat Rate Service Connections		202	202	202
50	Total Active Service Connections		202	202	202

CLASS D SEWER UTILITIES

(HAVING LESS THAN 500 SERVICE CONNECTIONS)

MHC Acquisition One, L.L.C.

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

Two North Riverside Plaza, Suite 800

(Official mailing address)

Santa Cruz, Santa Cruz County

(Service area-town and county)

GENERAL INFORMATION

RETURN ORIGINAL
TO COMMISSION
NO PHOTOCOPIES

- 1 If a corporation show:
 - (A) Date of organization August 19, 1996 incorporated in the State of Delaware
 - (B) Names, titles and addresses of principal officers:
 Samuel Zell-Chairman, Howard Walker-President/CEO, Thomas P. Heneghan Jr.-Executive V.P./Treasurer,
 Ellen Kelleher-Executive V.P./Assistant Secretary, Peter Underhill-Regional V.P., David Fell-V.P./Secretary,
 Marguerite Nader-V.P., Jennifer Usher-Assistant Secretary
 All addresses same as above
- 2 If unincorporated give the name and address of owner or of each partner:
- 3 Name and telephone number of:
 - (A) One person listed above to receive correspondence: Marguerite Nader 312-279-1486
 - (B) Person responsible for operations and services: Herb Bedlion 831-423-8660
- 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?
 682 Professional Services \$331,309
- 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:
 MHC Acquisition QRS, Inc.; MHC Operating Limited Partnership

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.
 Sewer collection and treatment is provided by Santa Cruz Municipal Utilities which is presumed to comply with all applicable local and state health department requirements

Yes	No	Latest Date
	X	
	X	
	X	
	X	

SPECIAL INSTRUCTIONS (see following page)

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.

SCHEDULE A - BALANCE SHEET (DECEMBER 31, 2000)

Line	Acct.	Assets	Balance	Acct.	Equity and Liabilities	Balance
1	101	Sewer plant in service	308,274	201	Common Stock (Corporations only)	-
2	103	Sewer plant held for future use	-	211	Other paid-in capital (Corporations only)	-
3	104	Sewer plant purchased or sold	-	215	Retained earnings	-
4	105	Sewer plant construction work in progress	-	218	Proprietary capital	272,921
5	108	Accumulated depreciation of sewer plant	(131,586)	224	Long term debt	-
6	114	Sewer plant acquisition adjustments	-		Current Liabilities	11,192
7	124	Other investments	-	252	Advances for construction	-
8	131	Cash	15,650	253	Other deferred credits	-
9	141	Accounts receivable - customers	(343)	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	2,229	283	Accumulated deferred income taxes - other	-
13	180	Deferred charges	89,889	271	Contributions in aid of construction	-
14				272	Accumulated amortization of contributions	-
15		Total Assets	284,113		Total Equity and Liabilities	284,113

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	351	Intangible plant	10,000				10,000
17	353	Land	-				-
18	354	Structures	-				-
19	360	Collection Sewers - Force	11,663				11,663
20	361	Collection Sewers - Gravity	124,132				124,132
21	363	Services to customers	-				-
22	364	Flow Measuring Device	29,035				29,035
23	365	Flow Measuring Installations	-				-
24	370	Receiving Wells	117,444				117,444
25	380	Treatment & Disposal Eq	-				-
26	381	Plant Sewers	-				-
27	382	Outfall Sewer Lines	-				-
28	389	Other Equipment	16,000				16,000
29	390	Office Furniture and Equipment	-				-
30	391	Transportation Equipment	-				-
31		Total Sewer Plant in service	308,274	-	-	-	308,274

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

SCHEDULE C - RESERVE FOR DEPRECIATION OF UTILITY PLANT

Line	Item	Account 106 Sewer Plant	Account 106.1 SDWBA Loans	
32	Balance in reserves at beginning of year	114,128		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	17,458		
35	(b) Charged to Account No. 272	-		
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	17,458		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	131,586		
46	(1) Explanation of all other credits			
47	(2) Explanation of all other debits			

SCHEDULE D - CAPITAL STOCK OUTSTANDING (DECEMBER 31, 2000)

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	522 Unmetered sewer revenue	77,980
11	462 Fire protection revenue	-
12	465 Irrigation revenue	-
13	470 Metered sewer revenue	-
14	480 Other sewer revenue	-
15	Total Operating Revenue	77,980
16	Operating revenue deductions	xxxxxxxxxx
17	Operating expenses	xxxxxxxxxx
18	710 Purchased wastewater treatment	4,236
19	615 Power	-
20	618 Other volume related expenses	-
21	630 Employee labor	-
22	640 Materials	-
23	650 Contract work	49,434
24	660 Transportation expenses	-
25	664 Other plant maintenance expense	-
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	-
31	681 Office supplies and expense	10
32	682 Professional services	331,309
33	684 Insurance	206
34	688 Regulatory commission expense	-
35	689 General expenses	5,227
36	Total Operating Expenses	390,422
37	403 Depreciation expense	17,458
38	407 SDWBA loan amortization expense	-
39	408 Taxes other than income taxes	2,060
40	409 State corporate income tax expense	400
41	410 Federal corporate income tax expense	-
42	Total Operating Revenue Deductions	410,340
43	Utility Operating Income	(332,360)
44	421 Non-utility income	2,640
45	426 Miscellaneous non-utility expense	-
46	427 Interest expense	-
47	Net Income	(329,720)

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
n/a					

OTHER

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

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	Total for year
Residential & business			
Industrial	n/a		
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	
Subtotal - Beginning balance plus additions during year	n/a
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
3/4 x 3/4-in		
3/4-in		
1-in		
-in		
-in		
Total		

SCHEDULE L - METER-TESTING DATA

Number of meters tested during year
1 Used, before repair
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
Residences	-	202	202	-	-	-	-	202
Industrial	-	-	-	-	-	-	-	-
Other (specify)	-	-	-	-	-	-	-	-
Subtotal	-	202	202	-	-	-	-	202
Fire protection (Hydrants)	-	-	-	-	-	-	-	-
Total	-	202	202	-	-	-	-	202

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	2" and under				Totals
				2 1/4	3 1/4	4"	Other sizes (specify)	
Concrete			Cast Iron					
Earth	n/a		Welded steel			n/a		
Wood			Standard screw					
Steel			Cement-asbestos					
Other			Plastic					
			Other (specify)					
Total			Total					

DECLARATION

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

I, the undersigned (officer, partner or owner) of MHC Acquisition One, L.L.C. (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, , 2000, to and including December 31, , 2000

M B W A
Signed

Vice President

Title

Date 3/30/01