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## SEWER UTILITIES

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# 2014 ANNUAL REPORT OF

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**MHC Acquisition One, LLC**

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

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Two North Riverside Plaza, Suite 800 Chicago, IL 60606

(OFFICIAL MAILING ADDRESS)

ZIP

TO THE  
PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA  
FOR THE YEAR ENDED DECEMBER 31, 2014

REPORT MUST BE FILED NOT LATER THAN MARCH 31, 2015

PEASLEY, ALDINGER & O'BYMACHOW  
AN ACCOUNTANCY CORPORATION

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

2120 MAIN STREET, SUITE 265  
HUNTINGTON BEACH, CALIFORNIA 92648

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

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

June 30, 2015

MHC Acquisition One, LLC  
Two North Riverside Plaza, Suite 800  
Chicago, IL 60606

We have compiled the balance sheet of MHC Acquisition One, LLC (Santa Cruz Utility Sewer system) as of December 31, 2014, and the related income statement for the year ended December 31, 2014, included in the accompanying prescribed form. We have also compiled the supplementary information included on page 6 (Schedules B & C), page 7 (Schedule D), page 8 (Schedule E), page 10 (Schedules G, H, I, J, K, L, & M) and page 4 Excess Capacity. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or provide any assurance about whether the financial statements and supplementary schedules are in accordance with the form prescribed by the Public Utilities Commission of the State of California.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with requirements prescribed by the Public Utilities Commission of the State of California and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

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 accounting principles generally accepted in the United States of America.

The supplementary information contained on page 3 (General Information) and page 10 (Schedules G, H, 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



Christian L. Aldinger  
Certified Public Accountant

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## INSTRUCTIONS

1. Two completed and signed hard copies of this report and one electronic copy must be filed **NOT LATER THAN MARCH 31, 2015**, with:

**CALIFORNIA PUBLIC UTILITIES COMMISSION  
DIVISION OF WATER AND AUDITS  
ATTN: KAYODE KAJOPAIYE  
505 VAN NESS AVENUE, ROOM 3105  
SAN FRANCISCO, CALIFORNIA 94102-3298  
[kok@cpuc.ca.gov](mailto:kok@cpuc.ca.gov)**

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 Page 11, must be signed by an authorized 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. If inserts are needed, prepare all inserts in one separate electronic file in Microsoft Excel format and file it with the electronic file of this report.
9. This report must cover the calendar year from January 1, 2014, through December 31, 2014. Fiscal year reports will not be accepted.

**CLASS D SEWER UTILITIES**  
(HAVING LESS THAN 500 SERVICE CONNECTIONS)

MHC Acquisition One, LLC

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

Two North Riverside Plaza, Suite 800 Chicago, IL 60606

(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: Marguerite Nader, President and CEO; Paul Seavey, Exec. VP, CFO & Treasurer; Roger Maynard, Exec. VP - Asset Mgmt; Larisa Drake, Senior VP - Marketing; Kenneth Kroot, Senior VP - General Counsel & Secretary; Patrick Waite, Senior VP - Property Mgmt; Walter Jaccord, Legal and Assist. Secretary
- 2 If unincorporated give the name and address of owner or of each partner:
 

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- 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: Jennifer McClellan 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?  
Equity Lifestyles Properties, professional services: \$11,866 acct 682
- 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 Equity Lifestyles, Inc.
- 6 This annual report was prepared by:

Name of firm or consultant: Peasley, Aldinger & O'Bymachow

Address of firm or consultant: 2120 Main Street, Suite 265  
Huntington Beach, CA 92648

Phone Number of firm or consultant: (714) 536-4418

**PUBLIC HEALTH STATUS**

- 7 Has state or local health department inspection been made during the year?
- 8 Are routine laboratory tests of water being made?
- 9 Has state health department water supply permit been obtained? (Indicate date)
- 10 If no permit has been obtained, state whether application has been made and when.
- 11 Show expiration date if state permit is temporary.

Yes	No	Latest Date
	x	
	x	
	x	
	x	
		N/A

- 12 List Name, Grade, and License Number of all Licensed Operators:  
Geo H. Wilson Plumbing Contractor #00056172

## Excess Capacity and Non-Tariffed Services

NOTE: In D.00-07-018, D.03-04-028, and D. 04-12-023, the CPUC set forth rules and requirements regarding water utilities provision of non-tariffed services using excess capacity. These decisions require water utilities to: 1) file an advice letter requesting Commission approval of that service, 2) provide information regarding non-tariffed goods/services in each company's Annual Report to the Commission.

Based on the information and filings required in D.00-07-018, D.03-04-028, and D.04-12-023, provide the following information by each individual non-tariffed goods and services provided in calendar year 2014:

Applies to All Non-Tariffed Goods/Services that require Approval by Advice Letter										
Row No.	Description of Non-Tariffed Good/Service	Active or Passive	Total Revenue Derived From Non-Tariffed Goods/ Services (by account)	Total Expenses Incurred to Provide Non-Tariffed Goods/ Services (by Account)	Expense Account Number	Advice Letter and/or Resolution Number Approving Non-Tariffed Goods/ Services	Total Income Tax Liability Incurred Because of Non-Tariffed Goods/ Services (by Account)	Income Tax Liability Account Number	Gross Value of Regulated Assets Used in the Provision of a Non-Tariffed Goods/ Services (by Account)	Regulated Asset Account Number

N/A

**SCHEDULE A - BALANCE SHEET (AS OF DECEMBER 31, 2014)**

<b>Line</b>	<b>Acct.</b>	<b>Assets</b>	<b>Balance</b>
1	101	Water Plant in Service (Excluding SDWBA)	420,364
2	101.1	Water Plant in Service - SDWBA	
3	101.2	Water Plant in Service - Prop 50	
4	103	Water Plant Held for Future Use	
5	104	Water Plant Purchased or Sold	
6	105	Construction Work in Progress - Water Plant	
7	100.3	Construction Work in Progress (Prop 50)	
8	108	Accumulated Depreciation of Water Plant	(378,183)
9	108.1	Accumulated Amortization of SDWBA Loan	
10	114	Water Plant Acquisition Adjustments	
11	121	Non-utility Property and Other Assets	
12	122	Accumulated Depreciation of Non-water Utility Property	
13	124	Other Investments	
14	131	Cash	(159,850)
15	131.3	Cash - Miscellaneous Special Deposits (Prop 50)	
16	132	Special Deposits	
17	141	Accounts Receivable - Customers	195
18	142	Receivables from Associated Companies	
19	143	Accumulated Provision for Uncollectible Accounts	
20	151	Materials and Supplies	
21	174	Other Current Assets	
22	180	Deferred Charges	157,213
23			
24			
25		<b>Total Assets</b>	<b>39,739</b>
<b>Line</b>	<b>Acct.</b>	<b>Equity and Liabilities</b>	<b>Balance</b>
26	201	Common Stock (for corporations only)	
27	204	Preferred Stock (for corporations only)	
28	211	Other Paid-in Capital (for corporations only)	
29	215	Retained earnings (for corporations only)	(40,964)
30	218	Proprietary Capital (for proprietorships and partnerships only)	
31	224	Long-Term Debt	
32	231	Accounts Payable	0
33	232	Short-Term Notes Payable	
34	233	Customer Deposits	
35	236	Taxes Accrued	
36	237	Interest Accrued	
37	241	Other Current Liabilities	76,296
38	250	Reserve for Depreciation of Utility Plant (Prop 50)	
39	252	Advances for Construction	
40	253	Other Credits	4,407
41	255	Accumulated Deferred Investment Tax Credits	
42	266.0	Contributions - Publicly Grant-Funded Plant (Prop 50)	
43	266.1	Accumulated Amortization of Contributions - Publicly Grant-Funded Plant (Prop 50)	
44	271	Contributions in Aid of Construction	
45	272	Accumulated Amortization of Contributions	
46	282	Accumulated Deferred Income Taxes - ACRS Depreciation	
47	283	Accumulated Deferred Income Taxes - Other	
48			
49			
50		<b>Total Equity and Liabilities</b>	<b>39,739</b>

See Accompanying Accountant's Compilation Report

**SCHEDULE B - SEWER PLANT IN SERVICE (AS OF DECEMBER 31, 2014)**

Line	Acct	Title of Account	Balance Beg of Year	Plant Additions During year	Plant Retirements During year	Other Debits or (Credits)	Balance End of year
1	301	Intangible Plant	10,000				10,000
2	303	Land					
3	304	Structures					
4	307	Wells					
5	311	Pumping Equipment	159,514				159,514
6	317	Other Water Source Plant					
7	320	Water Treatment Plant					
8	330	Reservoirs, Tanks and Standpipes					
9	331	Water Mains	148,210				148,210
10	333	Services and Meter Installations	63,479				63,479
11	334	Meters					
12	339	Other Equipment	39,161				39,161
13	340	Office Furniture and Equipment					
14	341	Transportation Equipment					
15		Total Sewer Plant in Service	420,364				420,364

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

**SCHEDULE C - RESERVE FOR DEPRECIATION OF UTILITY PLANT (AS OF DECEMBER 31, 2014)**

Line	Item	Account 108 Water Plant	Water Plant Funded by Prop 50 (For information only)	
1	Balance in reserves at beginning of year	366,976		A. Method used to compute depreciation expense
2	Add: Credits to reserves during year			(Acct. 403) and rate.
3	(a) Charged to Account No. 272			COMPOSITE 3.58%
4	(b) Charged to Account No. 403	11,207		B. Amount of depreciation expense claimed or
5	(c) Charged to Account No. 407			to be claimed on utility property in your federal
6	(d) Salvage recovered			income tax return for the year covered by this
7	(e) All other credits			report \$ N/A
8	Total credits	11,207		
9	Deduct: Debits to reserves during year			C. State method used to compute tax depreciation.
10	(a) Book cost of property retired			N/A
11	(b) Cost of removal			
12	(c) All other debits			
13	Total debits	-		
14	Balance in reserve at end of year	378,183		
15	(1) Explanation of all other credits			
16	(2) Explanation of all other debits			



**SCHEDULE D - CAPITAL STOCK OUTSTANDING (AS OF DECEMBER 31, 2014)**

Line	Description	Shareholder Name	Number of Shares	Par Value
1	Common Stocks	N/A	N/A	N/A
2	Common Stocks			
3	Common Stocks			
4	Common Stocks			
5	Common Stocks			
6	Common Stocks			
7	Common Stocks			
8	Common Stocks			
9	Common Stocks			
10	Common Stocks			
11	Common Stocks			
12	Common Stocks			
13	Common Stocks			
14	Common Stocks			
15	Common Stocks			
16	<b>Total - Common Stocks</b>			
17	Preferred Stocks	N/A	N/A	N/A
18	Preferred Stocks			
19	Preferred Stocks			
20	Preferred Stocks			
21	Preferred Stocks			
22	Preferred Stocks			
23	Preferred Stocks			
24	Preferred Stocks			
25	Preferred Stocks			
26	Preferred Stocks			
27	Preferred Stocks			
28	Preferred Stocks			
29	Preferred Stocks			
30	Preferred Stocks			
31	Preferred Stocks			
32	<b>Total - Preferred Stocks</b>			
33	Total annual dividends declared and/or paid to common stockholders			\$ N/A
34	Percentage of total annual dividend to common stockholders as a percentage of total net income (%)			N/A
35	Total annual dividends declared and/or paid to preferred stock shareholders			\$ N/A
36	Percentage of total annual dividend to preferred stockholders as a percentage of total net income (%)			N/A

**Note: Please use duplicate page(s) to meet your company's needs if additional lines are needed.**

**SCHEDULE E - LONG-TERM DEBTS**

Line	Lender Name	CPUC Order No.	Class	Date of Issuance	Date of Maturity	Principle Amount Authorized	Interest Rate (%)	Accrued Interest for Current Year	Interest Paid for Current Year	Outstanding Balance as of 12/31/2013
1										
2	None									
3										
4										
5										
6										
7										
8										
9										
10										
11	Total									

*Note: Please use duplicate page(s) to meet your company's needs if additional lines are needed.*

**SCHEDULE F - INCOME STATEMENT**

<b>Line</b>	<b>Acct.</b>	<b>Description</b>	<b>Balance</b>
1		<b>Operating Revenues:</b>	
2	460	Unmetered Water Revenue	105,442
3	462	Fire Protection Revenue	
4	465	Irrigation Revenue	
5	470	Metered Water Revenue	
6	475	Approved Total Surcharge Revenue(s)	
7	480	Other water revenue	
8		<b>Total Revenue Received</b>	105,442
9		Less: Revenue Deductions	
10		SDWBA/SRF Surcharge Revenue	
11		<b>Total Operating Revenue</b>	105,442
12		<b>Operating Expenses:</b>	
13	610	Purchased Water	
14	615	Power	
15	618	Other Volume Related Expenses	
16	630	Employee Labor	
17	640	Materials	
18	650	Contract Work	80,365
19	660	Transportation Expense	
20	664	Other Plant Maintenance Expenses	10,724
21	670	Office Salaries	
22	671	Management Salaries	
23	674	Employee Pensions and Benefits	
24	676	Uncollectible Accounts Expense	
25	678	Office Services and Rentals	0
26	681	Office Supplies and Expense	
27	682	Professional Services	
28	684	Insurance	
29	688	Regulatory Commission Expense	
30	689	General Expense	45
31		<b>Total Operating Expenses</b>	91,134
32	403	Depreciation Expense	11,207
33	407	SDWBA/SRF Loan Amortization Expense	
34	408	Taxes Other Than Income Taxes	3,009
35	409	State Corporate Income Tax expense	
36	410	Federal Corporate Income Tax Expense	
37		<b>Total Operating Revenue Deductions</b>	105,350
38		<b>Utility Operating Income</b>	92
39	421	Non-utility Income	
40	426	Miscellaneous Non-utility Expense	
41	427	Interest Expense	
42		<b>Net Income</b>	92

**SCHEDULE G - 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
1	630	Employee Labor				
2	670	Office salaries	N/A			
3	671	Management salaries				
4		Total				

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

Size	Meters	Services
-in		
-in	N/A	
-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		198	198					198
		3	3					3
Industrial								
Other (specify)								
Total		201	201					201

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 under	2 1/4 to 3 1/4	4"	Other sizes (specify)	Total
Concrete			Cast Iron					
Earth	N/A		Welded steel			N/A		
Wood			Standard screw					
Steel			Cement-asbestos					
Other			Plastic					
			Other (specify)					
Total			Total					

**DECLARATION**

**(PLEASE VERIFY THAT ALL SCHEDULES ARE ACCURATE AND COMPLETE BEFORE SIGNING)**

I, the undersigned Officer  
Officer, Partner, or Owner (Please Print)

of MHC Acquisition One, LLC (Santa Cruz Sewer Utility)  
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 of January 1, 2014, through December 31, 2014.

Regional Vice President

Title (Please Print)

  
Signature

(831) 515-2036

Telephone Number

6/30/15

Date