



## INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors  
Suburban Water Systems

We have examined Suburban Water Systems' ("the Company") compliance with the Affiliate Transaction Rules pursuant to the California Public Utilities Commission Decision D.10-10-019, D. 11-10-034, and D.12-01-042 and with CPUC Executive Director's letter dated December 21, 2010, which extended the compliance deadline until June 30, 2011. Our examination is for the time period beginning June 30, 2011 and ending December 31, 2012. Management is responsible for the Company's compliance with those requirements. Our responsibility is to express an opinion on the Company's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

Our examination disclosed the following material noncompliance with Affiliate Transaction Rules applicable to the Company during the period beginning June 30, 2011 and ending December 31, 2012.

- During the initial six month period ending December 31, 2011, the Company was not in compliance with the requirements set forth in the Affiliate Transaction Rules.

In our opinion, except for the material noncompliance described in the third paragraph, the Company complied, in all material respects, with the aforementioned requirements.

This report is intended solely for the information and use of the Board of Directors of the Company and the California Public Utilities Commission and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, slightly slanted style.

Armanino<sup>LLP</sup>  
San Jose, California

September 30, 2013