

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



April 26, 2022

Ms. Vanessa Bennett, President
Macdoel Water Works
627 N 5th Street
Klamath Falls, OR 97601

Notice of Non-Compliance – Macdoel Water Works failed to file its Annual Report for the year ended December 31, 2020, in compliance with the regulatory requirements and the directives of the California Public Utilities Commission

Dear Ms. Bennett:

The purpose of this letter is to inform you that Macdoel Water Works' (MWW) 2020 Annual Report did not comply with the regulatory requirements of California Public Utilities (PU) Code Sections 314.5, 314.6, 581, 582, 584 and the directives of the California Public Utilities Commission (CPUC).

PU Code Sections 581, 582, 584 and CPUC's General Order (G.O.) 104-A grant authority to the CPUC to require all public utilities doing business in California to file reports in the form specified by the CPUC. Pursuant to PU Code Section 314.5, the CPUC has statutory responsibility to review or audit the books and records of your company, including but not limited to MWW's regulatory basis financial statements contained in the Annual Report required to be filed with the CPUC.

Pursuant to PU Code Section 314.5, the Utility Audits Branch (UAB) of the CPUC selected MWW's 2020 Annual Report filed with the WD on December 1, 2021, for review. During our review, we noted that MWW's 2020 Annual Report failed to include adequate financial data in its balance sheet, income statement, and statement of retained earnings to fully reflect the financial situations of the company. In addition, MWW stated in its email correspondence to UAB that it did not retain any supporting documents for the financial schedules in its Annual Report. Specifically, MWW does not have sufficient appropriate historical records to support the reported financial data including, but not limited to: Water Plant in Service, Accumulated Depreciation, Retained Earnings, Other Paid-in Capital, and Power expenses. PU Code Sections 581, 582, and 584 require public utilities to provide to the CPUC the books and records at the time and in the form specified by the CPUC. The General Accounting Instruction¹ set forth in the Uniform System of Accounts adopted in CPUC Decision 16-11-006 requires that the books and records of utilities be fully supported. MWW's failure to file a complete 2020 Annual Report with adequate supporting documentation constitutes a limitation on our review scope. Therefore, we are unable to complete our review of MWW's 2020 Annual Report.

In addition, MWW did not file its 2020 Annual Report timely in compliance with CPUC's directives. On January 26, 2021, WD issued a memorandum to all regulated water and sewer utilities requiring them to file their 2020 Annual Reports with the CPUC by April 30, 2021. MWW neither requested nor obtained CPUC's approval for an extension to file its 2020 Annual Report until UAB issued a notice to MWW on November 1, 2021, indicating that MWW has been selected for review. MWW

¹ General Accounting Instruction # 2 of the Uniform System of Accounts on Page B13.

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requested a filing extension on November 9, 2021, and the CPUC's WD granted an extension to December 1, 2021. MWW filed its incomplete Annual Report on December 1, 2021.

UAB will publish this non-compliance letter on our public website at [Audit Reports by Industry \(ca.gov\)](#). This letter also serves to meet the intention of the audit requirements specified in PU Code Section 314.5.

The CPUC reserves the right for further regulatory actions if MWW continues to be non-compliant. Pursuant to Resolution W-4799, CPUC has the authority to take prompt actions, including issuing citations and imposing fines, against any water or sewer utility that fails to correct the non-compliance or violation in a timely manner. A complete copy of the Resolution can be accessed at https://docs.cpuc.ca.gov/PublishedDocs/WORD_PDF/FINAL_RESOLUTION/109215.PDF.

Please contact us at UtilityAudits@cpuc.ca.gov if you have any questions.

Sincerely,

Angie Williams

Angie Williams, Director
Utility Audits, Risk and Compliance Division

cc: Rachel Peterson, Executive Director, CPUC
Kristin Stauffacher, Deputy Executive Director, Office of the Commission, CPUC
Terence Shia, Director, Water Division, CPUC
Masha Vorobyova, Assistant Director, UAB, CPUC
Bruce DeBerry, Program Manager, Water Division, CPUC
Raymond Yin, Program and Project Supervisor, UAB, CPUC