



# REVIEW OF FINANCIAL SCHEDULES

## California-American Water Company–Sacramento District

For the Year Ended December 31, 2020

Utility Audits, Risk and Compliance Division  
Utility Audits Branch  
February 7, 2022



## **MEMBERS OF THE TEAM**

**Angie Williams, Director**

**Masha Vorobyova, Assistant Director**

**Raymond Yin, CPA  
Program and Project Supervisor**

**Khusbindar Kaur, CPA  
Lead**

**Sam Niepoth  
Staff**

**Tir Saephan  
Staff**

**A digital copy of this report can be found at:**

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**You can contact our office at:  
California Public Utilities Commission  
Utility Audits, Risk and Compliance Division  
400 R Street, Suite 221  
Sacramento, CA 95811**

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



Transmitted via e-mail

February 7, 2022

Mr. Kevin Tilden, President  
California-American Water Company  
655 W. Broadway, Suite 1410  
San Diego, CA 92101

Dear Mr. Tilden:

**Final Report Transmittal Letter—Review of California-American Water Company-Sacramento District's for the year ended December 31, 2020**

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) has completed its review of California-American Water Company–Sacramento District's (CAWC–Sacramento) 2020 Annual Report filed with the CPUC. The final review report is enclosed.

We issued the draft review report on January 21, 2022. CAWC responded via email on January 25, 2022, that it had no comments to the draft review report. Therefore, we are issuing the report as final. We will post this review report on our website at [Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/Audit-Reports-by-Industry).

Please provide a Corrective Action Plan (CAP) addressing the finding and recommendation by March 24, 2022. The CAP should include specific steps and target dates to correct the finding identified. Please submit the CAP to the Utility Audits Branch at [UtilityAudits@cpuc.ca.gov](mailto:UtilityAudits@cpuc.ca.gov) with a copy to Bruce DeBerry, Program Manager of Water Division, at [Bruce.DeBerry@cpuc.ca.gov](mailto:Bruce.DeBerry@cpuc.ca.gov).

We appreciate CAWC's assistance and cooperation during the engagement. If you have any questions regarding this report, please contact Raymond Yin, Program and Project Supervisor, at (415) 703-1818.

Sincerely,

*Angie Williams*

Angie Williams, Director  
Utility Audits, Risk and Compliance Division

cc: on next page

Mr. Kevin Tilden, President  
California-American Water Company  
February 7, 2022  
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cc: Jeff Linam, Vice President of Rates and Regulatory, CAWC  
Wes Owens, Director of Rates and Regulatory, CAWC  
Monica Na, Strategic Program Manager, CAWC  
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 Berry, Program Manager, Water Division, CPUC  
Raymond Yin, Program and Project Supervisor, UAB, CPUC  
Khusbindar Kaur, Senior Management Auditor, UAB, CPUC  
Sam Niepoth, Staff Services Management Auditor, CPUC  
Tir Saephan, Staff Services Management Auditor, CPUC

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## EXECUTIVE SUMMARY

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The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) conducted a review of the financial schedules in the Annual Report of California-American Water Company (CAWC)–Sacramento District (CAWC–Sacramento) for the year ended December 31, 2020, pursuant to Public Utilities (PU) Code Sections 314.5, 314.6, 581, 582, and 584 that provides the CPUC the statutory authority to review or audit the books and records of the regulated utilities. We conducted this review in accordance with the standards prescribed under Review Engagements in the Generally Accepted Government Auditing Standards (GAGAS).

Incorporated in California in 1965, CAWC is a subsidiary of American Water Works Company, Inc. CAWC is a Class A water utility with a total of 176,646 metered customer connections, 3034 flat rate residential customers, 19,078 private/public fire connections in California.<sup>1</sup> CAWC–Sacramento serves approximately 64,034 metered customers, 3034 flat rate residential customers, 7,470 private/public fire connections, across six tariff areas: Sacramento, Dunnigan, Meadowbrook, Fruitridge Vista, Hillview, and Geyserville.<sup>2</sup> As a regulated water utility, CAWC is required to prepare its Districts' Annual Reports on accrual basis of accounting set forth in the Uniform System of Accounts (USOA) adopted in Decision (D.) 16-11-006 by the CPUC on November 16, 2016, which is a comprehensive basis of accounting other than the generally accepted accounting principles in the United States of America.

The purpose of this review was to obtain limited assurance as a basis for reporting whether we were aware of any material modifications that should be made to the financial schedules in CAWC–Sacramento's Annual Report for the year ended December 31, 2020, in order for them to be in accordance with the accounting framework prescribed by the USOA and CPUC's directives.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial schedules in CAWC–Sacramento's revised Annual Report in order for them to be in accordance with the accounting framework prescribed by the USOA and CPUC's directives. However, UAB identified one material misstatement in CAWC's Annual Report originally filed with the CPUC's Water Division, as described in the Appendix A–Review Finding and Recommendation. The finding is summarized below:

- Finding 1: CAWC–Sacramento reported \$1,313,024 revenue generated from flat rate water service to residential customers in its Fruitridge Vista Tariff area as Metered Sales to General Customers instead of reporting the revenue as Unmetered Sales to General Customers. As a result, Account 601-1.1–Metered Sales to General Customers–Residential Sales was overstated by \$1,303,024, and Account 602-1.1–Unmetered Sales to General Customers–Residential Sales was understated by the same amount.

UAB discussed the above finding with CAWC during fieldwork. CAWC concurred with the finding and agreed to correct the misstatement identified above. CAWC submitted a revised 2020 Annual Report for CAWC–Sacramento on December 16, 2021, to the CPUC to correct the material misstatement described in Appendix A of this report. UAB further discussed the finding and recommendation with CAWC at the exit conference on December 21, 2021, and CAWC concurred with the review results. We are not aware of any material modifications that should be made to the

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<sup>1</sup> CAWC 2020 Annual Report, Schedule D-4–Number of Active Service Connections, Page 75.

<sup>2</sup> CAWC–Sacramento 2020 Annual Report, Schedule D-4–Number of Active Service Connections, Page 21.

accompanying financial schedules in CAWC–Sacramento revised Annual Report. We issued the draft review report on January 21, 2022. CAWC responded via email on January 25, 2022, that it had no comments to the draft review report.

# INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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Kevin Tilden, President  
California-American Water Company  
655 W. Broadway, Suite 1410  
San Diego, CA 92101

The Utility Audits Branch (UAB) of the California Public Utility Commission (CPUC) has reviewed the accompanying financial schedules in California-American Water Company (CAWC)–Sacramento District's (CAWC–Sacramento) revised Annual Report for the year ended December 31, 2020. CAWC's management is responsible for the preparation and fair presentation of the financial schedules in CAWC–Sacramento's revised Annual Report in accordance with the accounting framework prescribed by the Uniform System of Accounts (USOA) adopted in CPUC's Decision (D.)16-11-006 and CPUC's directives. Our responsibility is to express a conclusion on the financial schedules in the CAWC's revised Annual Report based on our review.

Our review was conducted in accordance with the standards of attestation engagement established by the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. Those standards require that we plan and perform the review to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial schedules in CAWC–Sacramento's Annual Report in order for them to be in accordance with the accounting framework prescribed by the USOA and CPUC's directives. A review is substantially less in scope than an examination, the objective for which is to obtain reasonable assurance about whether the financial schedules in CAWC–Sacramento's Annual Report is in accordance with accounting framework prescribed by the USOA and CPUC's directives, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. We believe that our review provides a reasonable basis for our conclusion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial schedules in CAWC–Sacramento's revised Annual Report for the year ended December 31, 2020, in order for them to be in accordance with the accounting framework prescribed by the USOA and CPUC's directives. However, UAB identified one material misstatement in CAWC's Annual Report originally filed with the CPUC's Water Division, as described in the Appendix A–Review Finding and Recommendation. This misstatement has been corrected in the accompanying financial schedules.

## ***Views of Responsible Official***

UAB discussed the results of the review with CAWC during fieldwork. CAWC concurred with the finding and agreed to correct the misstatement identified in its Annual Report originally filed with the CPUC's Water Division. CAWC submitted CAWC–Sacramento's revised Annual Report on December 16, 2021, to correct the material misstatement described in Appendix A of this report. UAB further discussed the Finding and Recommendation presented in Appendix A of this report with CAWC at the exit conference on December 21, 2021, and CAWC concurred with the review results. We are not aware of any material modifications that should be made to the financial schedules in CAWC–Sacramento's revised Annual Report. We issued the draft review report on January 21, 2022. CAWC responded via email on January 25, 2022 that it had no comments to the draft review report.



***Other Matter - Submission of a Corrective Action Plan***

CAWC's management should submit a corrective action plan (CAP) to the UAB at [UtilityAudits@cpuc.ca.gov](mailto:UtilityAudits@cpuc.ca.gov), with a copy to Bruce DeBerry, Program Manager of Water Division, at [Bruce.DeBerry@cpuc.ca.gov](mailto:Bruce.DeBerry@cpuc.ca.gov) by March 24, 2022. The CAP should address how CAWC will implement the recommendation. If CAWC is unable to implement UAB's recommendation, the CAP should state the reason(s) for not being able to implement the recommendation. CAWC should use the amounts reviewed by the UAB as presented in this report as the basis to file its future Annual Reports with the CPUC.

***Restricted Use of This Review Report***

The purpose of this report is to summarize the results of the review mandated by Public Utilities Code Section 314.5. Accordingly, this review report is intended solely for the information and use by the CPUC and the management of CAWC, and it is not suitable for any other purpose. It is not intended to be used and should not be used by anyone other than the specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record and will be available on the CPUC website at [Audit Reports by Industry \(ca.gov\)](http://AuditReportsbyIndustry.ca.gov).

*Angie Williams*

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Angie Williams, Director  
Utility Audits, Risk and Compliance Division

## REVIEWED FINANCIAL SCHEDULES

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### California-American Water Company–Sacramento District **Utility Plant in Service** As of December 31, 2020

#### INTANGIBLE PLANT

Organization	\$6,057
Franchises and Consents	293,133
Other Intangible Plant	1,139
Total Intangible Plant	300,329

#### LANDED CAPITAL

Land and Land Rights	3,044,136
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#### SOURCE OF SUPPLY PLANT

Structures and Improvements	6,713,699
Lake, River and Other Intakes	12,735
Wells	17,036,650
Supply Mains	6,722,161
Total Source of Supply Plant	30,485,245

#### PUMPING PLANT

Structures and Improvements	12,374,728
Other Power Production Equipment	2,586,923
Pumping Equipment	35,491,431
Total Pumping Plant	50,453,082

#### WATER TREATMENT PLANT

Structures and Improvements	10,341,154
Water Treatment Equipment	32,583,800
Total Water Treatment Plant	\$42,924,954

*(Continued on next page)*

California-American Water Company–Sacramento District  
**Utility Plant in Service (continued)**  
 As of December 31, 2020

**TRANSMISSION AND DISTRIBUTION PLANT**

Structures and Improvements	\$1,174,862
Reservoirs and Tanks	19,811,944
Transmission and Distribution Mains	102,709,283
Fire Mains	20,425
Services	31,778,603
Meters	20,932,117
Meter Installations	33,483,639
Hydrants	11,465,370
Total Transmission and Distribution Plant	221,376,243

**GENERAL PLANT**

Structures and Improvements	7,353,131
Office Furniture and Equipment	2,137,002
Transportation Equipment	662,368
Laboratory Equipment	255,681
Communication Equipment	9,260,358
Power Operated Equipment	431,238
Tools, Shop and Garage Equipment	579,265
Other General Plant	2,488,277
Total General Plant	23,167,320

**UNDISTRIBUTED ITEMS**

Other Tangible Property	231,844
Utility Plant Purchased	42,461,988
Total Undistributed Items	42,693,832
<b>Total Utility Plant in Service</b>	<b>\$414,445,141</b>

*(See independent accountant's review report and accompanying notes.)*

California-American Water Company–Sacramento District  
**Depreciation and Amortization Reserves**  
 As of December 31, 2020

	<b>Utility Plant</b>	<b>Other Property</b>
Reserves, Beginning of Year	\$134,120,683	\$74,891
Credits		
Charged to Account 503	9,985,339	1,566
Charged to Account 265	1,353,571	
Salvage recovered	13,933	
Total credits	<u>11,352,843</u>	<u>1,566</u>
Debits		
Book cost of property retired	(1,706,796)	
Cost of removal	(371,032)	
Total debits	<u>(2,077,828)</u>	<u>0</u>
<b>Reserve, End of Year</b>	<b><u>\$143,395,698</u></b>	<b><u>\$76,457</u></b>

*(See independent accountant's review report and accompanying notes.)*

California-American Water Company–Sacramento District  
**Operating Revenues**  
 For Year Ended December 31, 2020

**WATER SERVICE REVENUES**

Metered Sales to General Customers	
Residential Sales	\$37,800,912
Commercial Sales	17,923,911
Industrial Sales	435,843
Sales to Public Authorities	3,685,406
Sub-total	<u>59,846,072</u>
 Unmetered Sales to General Customers	
Residential Sales	<u>1,313,024</u>
Sub-total	1,313,024
 Private Fire Protection Service	1,162,487
Other Sales or Service	<u>70,248</u>
Sub-total	<u>1,232,735</u>
<b>Total Water Service Revenues</b>	<u><u>62,391,831</u></u>

**OTHER WATER REVENUES**

Miscellaneous Service Revenues	894,255
Rent from Water Properties	1,449
Other Water Revenues	<u>(2,665,039)</u>
<b>Total Other Water Revenues</b>	<u>(1,769,335)</u>
<b>TOTAL OPERATING REVENUES</b>	<u><u><b>\$60,622,496</b></u></u>

*(See independent accountant's review report and accompanying notes.)*

California-American Water Company–Sacramento District  
**Operating Expenses**  
 For Year Ended December 31, 2020

**SOURCE OF SUPPLY EXPENSE**

Operation	
Operation labor and expenses	\$922
Miscellaneous expenses	402,666
Purchased water	2,319,747
Maintenance	
Maintenance of collect and impound reservoirs	13,052
Maintenance of other source of supply plant	31,824
<b>Total Source of Supply Expense</b>	<b>2,768,211</b>

**PUMPING EXPENSES**

Operation	
Operation supervision and engineering	84,807
Pumping labor and expenses	844,537
Miscellaneous expenses	22,129
fuel or power purchased for pumping	2,341,338
Maintenance	
Maintenance supervision and engineering	248
Maintenance of structures and improvements	1,822
Maintenance of power production equipment	138
Maintenance of other pumping plant	139,766
<b>Total Pumping Expenses</b>	<b>3,434,785</b>

**WATER TREATMENT EXPENSES**

Operation	
Operation labor and expenses	716,268
Miscellaneous expenses	871,920
Chemicals and filtering materials	403,591
Maintenance	
Maintenance of water treatment equipment	306,417
<b>Total Water Treatment Expenses</b>	<b>\$2,298,196</b>

*(Continued on next page)*

California-American Water Company–Sacramento District  
**Operating Expenses (Continued)**  
 For Year Ended December 31, 2020

**TRANSMISSION AND DISTRIBUTION EXPENSES**

Operation	
Operation supervision and engineering	\$133,805
Miscellaneous expenses	483,586
Maintenance	
Maintenance of trans. and distribution mains	173,775
Maintenance of services	495,771
Maintenance of meters	79,982
Maintenance of hydrants	4,425
Maintenance of miscellaneous plant	1,113,211
<b>Total Transmission and Distribution Expenses</b>	<b>2,484,555</b>

**CUSTOMER ACCOUNT EXPENSES**

Operation	
Supervision	83,500
Meter reading expenses	278,321
Customer records and collection expenses	128,263
Miscellaneous customer accounts expenses	177,499
<b>Total Customer Account Expenses</b>	<b>667,583</b>

**ADMINISTRATIVE AND GENERAL EXPENSES**

Operation	
Administrative and general salaries	1,663,471
Office supplies and other expenses	20,314
Injuries and damages	109,567
Employees' pensions and benefits	990,555
Outside services employed	238,452
Miscellaneous General Expenses	2,656,721
Maintenance	
Maintenance of general plant	2,379
<b>Total Administrative and General Expenses</b>	<b>\$5,681,459</b>

*(Continued on next page)*

California-American Water Company–Sacramento District  
**Operating Expenses (Continued)**  
For Year Ended December 31, 2020

**MISCELLANEOUS**

Rents	\$62,902
Administrative expenses transferred	11,104,641
Duplicate Charges – CAWC Allocated Return on Base Rate	838,736
<b>Total miscellaneous</b>	<u>12,006,279</u>
<b>Total Operating Expenses</b>	<u><u>\$29,341,068</u></u>

*(See independent accountant's review report and accompanying notes.)*



# California-American Water Company

## Notes to Financial Schedules

Incorporated in California in 1965, CAWC is a subsidiary of American Water Works Company. CAWC is a Class A water utility with a total of 176,646 metered customer connections, 3034 flat rate residential customers, 19,078 private/public fire connections in California.<sup>3</sup> Sacramento District serves approximately 64,034 metered customers, 3034 flat rate residential customers, 7,470 private/public fire connections, across six tariff areas: Sacramento, Dunnigan, Meadowbrook, Fruitridge Vista, Hillview, and Geyserville<sup>4</sup>.

Regulated water utilities are required to prepare their financial statements on accrual basis of accounting set forth in the USOA for Water Utilities adopted in D.16-11-006 by the CPUC on November 16, 2016, which is a comprehensive basis of accounting other than the generally accepted accounting principles (GAAP) in the United States of America. The followings describe certain differences in accounting treatments between GAAP and USOA, the company's current accounting practices, and its compliance with applicable regulation and CPUC directives.

### 1. Purpose of Financial Information and Targeted Audience

The objective of preparing financial information in accordance with GAAP is to provide information that is useful in making decisions about providing resources to the entity. Users of the financial information include existing and potential investors, lenders, and other creditors.

The purpose of using USOA to prepare financial schedules is to have the utilities provide financial transparency of their water operations on a consistent basis. The primary user of the financial information is the CPUC for ratemaking and other compliance purposes.

### 2. Property, Plant and Equipment

The USOA distinguishes the plant assets for water operations (e.g., Account 100-1, Utility Plant in Service) from those for non-water operations (e.g., Account 110, Other Physical Property), for ratemaking purposes. The cost of additions, replacements and betterments to utility plant is capitalized.

#### (1) Depreciation Methodology

GAAP allows entities to elect a depreciation methodology of their choices, such as straight-line, double-declining balance, or sum-of-the-years digits depreciation method.

USOA requires utilities to use "Straight-line remaining life method." "Remaining life" implies that estimates of future life and salvage value will be re-evaluated periodically and that depreciation rates will be adjusted to reflect any changes in estimates. Class A water utilities are required to comply with the USOA and CPUC's Standard Practice (SP) U-4-W when determining depreciation accruals. Specifically, depreciation reserve is determined for each primary plant account by dividing the original cost of depreciable utility plant, net of estimated

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<sup>3</sup> CAWC 2020 Annual Report, Schedule D-4–Number of Active Service Connections, Page 75.

<sup>4</sup> CAWC–Sacramento 2020 Annual Report, Schedule D-4–Number of Active Service Connections, Page 21.

salvage value and depreciation reserve, by the estimated remaining life of the surviving plant of the account. The utility must obtain prior written approval from the CPUC for any practice deviates from the aforementioned guidelines.

CAWC–Sacramento uses the estimated straight-line remaining life depreciation method for each class of utility plant. CAWC–Sacramento utilizes depreciation rates approved by the CPUC in D.18-12-021.

## **(2) Asset Retirement**

USOA requires that water plant be recorded at original cost. In USOA’s depreciation schedule, the difference between the estimated cost of removal and the salvage value is included in the depreciable base to obtain the annual depreciation expense. When retiring an asset, the cost of removal will reduce the balance of Account 250, Reserve for Depreciation of Utility Plant, while the cash received from the salvage value or sale price will increase the balance of Account 250, Reserve for Depreciation of Utility Plant. The gain or loss from the asset retirement that is recognized under GAAP is accumulated in Account 250, Reserve for Depreciation of Utility Plant under the USOA.

CAWC–Sacramento retired assets totaling \$1,651,935 during 2020, primarily consisting of retirements of communication equipment.<sup>5</sup>

## **(3) Sale and Acquisition of Properties**

Under GAAP, entities recognize gain or loss from disposal of properties and recognize goodwill or gain from a bargain purchase of other entities’ segment or properties. Under USOA, no goodwill or gain is recognized from the sale or acquisition of a water system or unit, unless it’s approved by the CPUC’s decision.

When a Utility purchases an operating unit or system, it shall first record the transaction into a temporary account in Account 391, Utility Plant Purchased. Within six months from the date of acquisition, the utility shall file with the CPUC for approval of the proposed journal entries to clear this account.

When a Utility sells a water system or unit, it shall first record the transaction into a temporary account in Account 392, Utility Plant Sold. Within six months from the date of sale or transfer, the utility shall file with the CPUC for approval of the proposed journal entries to clear this account.

CAWC purchased two water systems, Fruitridge Vista Water Company (FVWC) and Hillview Water Company (HWC), in 2020. The HWC acquisition was approved by the CPUC in D.19-11-003 and the FVWC acquisition was approved by the CPUC in D.19-12-038.

## **3. Operating Revenues**

CAWC-Sacramento generated approximately 98 percent of its operating revenues from metered water sales. CAWC’s operating revenues also include adjustments totaling \$2,665,039 in Account 614–Other Water Revenues. These adjustments consist of (1) leak adjustments, and (2)

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<sup>5</sup> CAWC–Sacramento District Summary of Utility Plant Assets Retired 2019-2020 Report

the difference between recorded and adopted revenues relating to Water Revenue Adjustment Mechanism and Modified Cost Balancing Account.

#### **4. Water Utility Users Fee**

PU Code, Sections 401 through 410 authorized the CPUC to set a fee annually to water utilities to cover the costs incurred by the CPUC in regulating them. A percentage of gross revenues is added to customer bills and paid by the water utilities to the CPUC. Class A water utilities pay a percentage of gross revenues quarterly.

CAWC recorded CPUC Users Fees as a pass-through activity and remitted the Users Fee to the CPUC on a quarterly basis.

#### **5. Compliance filing of 2020 Annual Report with the CPUC**

PU Code, Sections 581, 582, and 584, and the CPUC's directive (i.e., Water Division's annual memorandum to water and sewer utilities) require all regulated water utilities to file an Annual Report with the CPUC every year. For the year being reviewed, CAWC has complied with these requirements.

# APPENDIX A—REVIEW FINDING AND RECOMMENDATION

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## Finding 1: Misclassified Revenues

### Condition:

CAWC–Sacramento reported \$1,313,024 revenues generated from flat rate water service to residential customers in its Fruitridge Vista Tariff area as Metered Sales to General Customers in Account 601-1.1 instead of reporting the revenues as Unmetered Sales to General Customers in Account 602-1.1 in the Annual Report originally filed with the CPUC’s Water Division on July 1, 2021. CAWC acquired Fruitridge Vista, a substantially unmetered system, in 2020. CAWC assigned the general ledger account for Metered Sales to General Customers to record revenues generated from unmetered water sales to its Fruitridge Vista Tariff area because CAWC intends to convert the unmetered connections in Fruitridge Vista system to metered connections in the future. However, the USOA requires that metered and unmetered water sales should be recorded and reported separately. As a result, Account 601-1.1–Metered Sales to General Customers–Residential Sales was overstated by \$1,303,024, and Account 602-1.1–Unmetered Sales to General Customers–Residential Sales was understated by the same amount.

CAWC corrected these misstatements in CAWC–Sacramento’s revised Annual Report submitted to the CPUC on December 16, 2021.

### Criteria:

USOA in D.16-11-006 states that:

#### 601. Metered Sales to General Customers

A. This account shall include all billings for measured water supplied for residential, commercial and industrial purposes and also to public authorities where the total charge is, or may be, in any way dependent on the quantity of water delivered through measuring devices. Records shall be maintained so that the quantity of water sold and the amount of revenue under each rate schedule shall be readily available.

#### 602. Unmetered Sales to General Customers

A. This account shall include all billings for water supplied for residential, commercial and industrial purposes and sales to public authorities where the charge is not dependent in any way on the quantity of water delivered through measuring devices but is based on diameter of service pipe, feet of frontage, type and number of facilities served, or other similar unit. Records shall be maintained so that the estimated schedule shall be readily available.

### Cause:

CAWC lacked effective monitoring procedures over its accounting and reporting process to ensure that all revenues generated from metered and unmetered water sales were classified and reported accurately in its 2020 Annual Report.

**Effect:**

Misclassified water service revenues caused inaccurate reported account balance in CAWC’s 2020 Annual Report and reduced the comparability of operating revenue data among Class A water utilities.

**Recommendation:**

CAWC should improve its monitoring procedures over its accounting and reporting process to ensure that operating revenues are accurately classified and reported.