

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



August 24, 2023

Patricia Heimer, Owner
Redwood Lodge Water Company
PO Box 320161
Los Gatos, CA 95032

Notice of Noncompliance of Redwood Lodge Water Company

Dear Patricia Heimer:

The purpose of this letter is to inform you that the Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) is withdrawing from its review engagement with Redwood Lodge Water Company (RLWC) for the period of January 1, 2022, through December 31, 2022, due to the limitation on our review scope by RLWC. The limitation on UAB's review scope resulted from RLWC's refusal to provide sufficient appropriate documents to support the financial data reported in RLWC's 2022 Annual Report filed with the CPUC. UAB further notifies you that RLWC is not in compliance with the requirements specified under Sections 581, 582, and 584 of the California Public Utilities (PU) Code and CPUC's directives.

UAB initiated a review of RLWC's financial statements as of December 31, 2022, pursuant to PU Code Sections 314.5 and 314.6 that provide CPUC the statutory authority to review or audit the books and records of regulated utilities.

PU Code Sections 581, 582, and 584 require all public utilities to furnish to the CPUC all records and supporting documents in such form and detail at such time requested by the CPUC.

On July 18, 2023, UAB sent an Engagement Letter to you which outlined the objectives of the review engagement, UAB's responsibilities, and RLWC's management's responsibility to provide us with "access to all information... such as records, documentation, and other matters" and "additional information that we may request for the purpose of the review engagement." UAB also provided its initial data request with the Engagement Letter.

On July 26, 2023, RLWC responded to the UAB's data request with a note signed by you indicating that Dominic "Nick" Massetti (Massetti), RLWC's Operations Manager, has permission to act on your behalf in matters regarding RLWC.

UAB held an entrance conference with Massetti on July 31, 2023, to further discuss the review process and obtain an understanding of RLWC's operations and its accounting principles and practices. During the meeting, Massetti explained that RLWC did not have a formal accounting system and did not maintain a detailed general ledger (G/L) to substantiate the balances reported in its 2022 Annual Report. Massetti also stated that RLWC did not maintain any worksheets or tabulations to support the amounts reported in its 2022 Annual Report. Rather, he used RLWC's bank statements to support expenses reported in RLWC's Annual Report. Massetti stated that he would prepare a monthly expense ledger using RLWC's bank statements in lieu of a G/L.

Patricia Heimer, Owner
Redwood Lodge Water Company
August 24, 2023
Page 2

Between August 1 and August 10, 2023, UAB requested various supporting documents and Massetti provided either incomplete or contradictory information or refused to provide requested documents. In an email dated August 11, 2023, we requested a meeting with both you and Massetti to clarify the objectives of our review and facilitate the review process. After initially accepting the meeting request for August 16, 2023, Massetti subsequently informed UAB that he could no longer attend the meeting scheduled.

In an effort to provide RLWC an opportunity to comply with our data requests, UAB provided RLWC an updated data request on August 15, 2023, which included a list of outstanding items and additional documentation required to clarify inconsistencies among the information and documents provided by RLWC. UAB also extended the deadline of the data request to September 8, 2023, to facilitate the process. Massetti replied on the same day refusing to provide documents requested by UAB.

RLWC's repeat refusal to comply with UAB's data requests constitutes a limitation on UAB's review scope. Due to RLWC's imposed restrictions, UAB cannot complete its review of RLWC's 2022 Annual Report without violating the applicable governmental and professional auditing standards. Therefore, UAB is withdrawing from the engagement and will publish this noncompliance letter to CPUC's public website at [Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/AuditReportsbyIndustry). 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 RLWC 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

Patricia Heimer, Owner
Redwood Lodge Water Company
August 24, 2023
Page 3

cc: Dominic Massetti, Operations Manager, RLWC
Rachel Patterson, Executive Director, CPUC
Kristin Stauffacher, Deputy Executive Director, 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
Wilson Tsai, Program and Project Supervisor, Water Division, CPUC
Khusbindar Kaur, Senior Management Auditor, UAB, CPUC
Sam Niepoth, Associate Management Auditor, UAB, CPUC