

**PUBLIC UTILITIES COMMISSION**

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



October 23, 2023

Peter Nolasco, Owner  
Baycliff Water System  
13449 Anderson Road  
Lower Lake, CA 95457

**Notice of Noncompliance of Baycliff Water System**

Dear Peter Nolasco:

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 Baycliff Water System (BWS) for the period of January 1, 2022, through December 31, 2022, due to the limitation on our review scope by BWS. The limitation on our review scope resulted from BWS's inability to provide sufficient appropriate documents to support the financial data reported in BWS's 2022 Annual Report filed with the CPUC due to BWS experiencing data loss. As a result, BWS is not in compliance with the requirements specified under sections 581, 582, and 584 of the California Public Utilities (PU) Code and CPUC directives.

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 a time requested by the CPUC. The Uniform System of Accounts (USOA) adopted in CPUC Decision (D.) 16-11-006 by CPUC on November 10, 2016, also requires all water utilities to maintain accounting records to fully support facts pertaining to such entries<sup>1</sup>.

UAB initiated a review of BWS's financial statements for the year ended December 31, 2022, pursuant to PU Code sections 314.5 and 314.6 that provide CPUC with the statutory authority to review or audit the books and records of regulated utilities. UAB sent an Engagement Letter and a Master Data Request on September 27, 2023, which outlined the objectives of the review engagement and the documents necessary to complete the review.

On September 29, 2023, you informed us via email that BWS would not be able to provide the accounting ledgers requested due to the loss of BWS's accounting system data earlier this year. Your technician's attempt to recover the data was unsuccessful. As a result, BWS's accounting data was completely lost.

BWS's inability to comply with UAB data requests constitutes a limitation on UAB's review scope. Due to these unforeseen circumstances, UAB cannot complete its review of BWS'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/Audit-Reports-by-Industry). This letter also serves to meet the intention of the audit requirements specified in PU Code section 314.5.

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<sup>1</sup> General Accounting Instruction #2 of the Uniform System of Accounts on Page B13.

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UAB recommends that BWS establish policies and procedures to regularly back up and safeguard its accounting data to properly retain all accounting records as required by applicable regulations and CPUC's accounting requirements specified in the USOA.

The CPUC reserves the right for further regulatory actions if BWS 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 noncompliance 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](https://docs.cpuc.ca.gov/PublishedDocs/WORD_PDF/FINAL_RESOLUTION/109215.PDF).

Please contact us at [UtilityAudits@cpuc.ca.gov](mailto:UtilityAudits@cpuc.ca.gov) if you have any questions.

Sincerely,

*Angie Williams*

Angie Williams, Director  
Utility Audits, Risk and Compliance Division

cc: Rachel Patterson, Executive Director, CPUC  
Kristin Stauffacher, Deputy Executive Director, CPC  
Terence Shia, Director, Water Division, CPUC  
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