

**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298

June 10, 2020

Mr. Richard Kipperman  
Chapter 11 Bankruptcy Trustee  
Live Oak Springs Water Company  
PO Box 3010  
La Mesa, CA 91944

**RE: Utility Audits Branch's Withdrawal from the Review of Live Oak Springs Water Company's Annual Report for the period of January 1, 2019 through December 31, 2019**

**The purpose of this letter to inform you that the Utility Audits Branch (UAB) is officially withdrawing from the above engagement.**

Pursuant to Public Utilities (PU) Code Sections 314.5, 314.6, 581, 582 and 584, the Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) was engaged to conduct a review of Live Oak Springs Water Company's (Live Oak) regulatory basis financial statements in the 2019 Annual Report filed with the CPUC, which comprise of the balance sheet as of December 31, 2019 and the related income statement.

As we commenced our review, we noted that Live Oak is in a Chapter 11 bankruptcy proceeding. The voluntary petition under Chapter 11 of Bankruptcy Code was filed on December 3, 2013, with the United States Bankruptcy Court in the Southern District of California. On January 30, 2014, the United States Bankruptcy Court appointed a bankruptcy Trustee. On September 19, 2019, the County of San Diego and Live Oak's Trustee entered into a purchase agreement for Live Oak. The United States Bankruptcy court approved the proposed sale on March 16, 2020. The County of San Diego filed a Tier 3 advice letter on May 6, 2020, requesting CPUC's regulatory approval for the purchase and acquisition of Live Oak. CPUC's Water Division is in the process of finalizing a resolution for the request.

We further reviewed the purchase agreement between the County of San Diego and the Trustee, and noted that Section 4.6(b), "Seller's Conditions to Closing," of agreement states that:

**The Regulatory Approval shall have been obtained and there shall be no** suit, action, litigation, arbitration or **governmental proceeding or audit**, including appeals and applications for review, in progress, pending, or threatened with respect to the Regulatory Approval, or any judgment, decree, injunction, deficiency, rule or order of any

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court, Governmental Authority, commission, agency, instrumentality or arbitrator with respect to the Regulatory Approval.

A similar clause could be found in Section 4.7(b) regarding “Buyer’s Conditions to Closing” in the said purchase agreement.

Due to the restrictions in Sections 4.6(b) and 4.7(b) of the purchase agreement, UAB decided to withdraw from the engagement to avoid delaying CPUC’s process of issuing a resolution regarding the request from the County of San Diego.

The attachments to this letter represent the Balance Sheet and Income Statement reported in Live Oak’s 2019 Annual Report which have not been reviewed or audited by UAB. Accordingly, UAB does not and will not express an opinion on them.

Sincerely,

*Raymond Yin*

Raymond Yin, CPA  
Program and Projects Supervisor  
Utility Audits Branch

Attachments

cc: Lucian Filler, Deputy Executive Director, CPUC  
Angie Williams, Director, UARCD  
Masha Vorobyova, Assistant Director, UAB  
Bruce DeBerry, Program Manager, Water Division  
Khusbindar Kaur, Senior Management Auditor, UAB  
Rimple Bhatti, Associate Management Auditor, UAB

**Attachment 1**  
**Live Oak Springs Water Company**  
**Balance Sheet (As Reported<sup>1</sup>)**  
**As of December 31, 2019**

**ASSETS**

**UTILITY PLANT**

Water Plant in Service	\$440,943
Accumulated Depreciation of Water Plant	(162,046)
<b>Net Utility Plant</b>	278,897

**INVESTMENTS**

Non-utility Property and Other Assets	322
<b>Total Investments</b>	322

**CURRENT AND ACCRUED ASSETS**

Cash	10,909
Accounts Receivable	9,333
Materials and Supplies	3,254
Other Current Assets	1,686
<b>Total Current and Accrued Assets</b>	25,182
<b>Total Assets</b>	\$304,401

**CAPITALIZATION AND LIABILITIES**

**PROPRIETARY CAPITAL**

Proprietary Capital	117,507
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**CURRENT AND ACCRUED LIABILITIES**

Short Term Notes Payable	126,818
Customer Deposits	53,277
Customer Deposits	6,799
<b>Total Current and Accrued Liabilities</b>	186,894

<b>Total Equity and Liabilities</b>	<b>\$304,401</b>
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<sup>1</sup> The reported amounts were derived directly from Live Oak Springs Water Company's 2019 Annual Report. UAB has not reviewed or formed any conclusions on the reported amounts. They are UAB has not reviewed or formed any conclusions on the financial statements.

## Attachment 2

### Live Oak Springs Water Company Income Statement (As Reported<sup>2</sup>) For Year Ended December 31, 2019

<b>OPERATING REVENUES</b>	
Unmetered Water Revenue	\$91,864
Other Water Revenue	500
<b>Total Operating Revenue</b>	92,364
 <b>OPERATING EXPENSES</b>	
<b>Plant Operation and Maintenance Expenses</b>	
Purchased Water	\$10,967
Other Volume Related Expenses	3,792
Transportation Expenses	4,268
Other Plant Maintenance Expenses	8,996
<b>Total Plant Operation and Maintenance Expenses</b>	28,023
 <b>Administrative and General Expenses</b>	
Office Salaries	23,421
Management Salaries	7,014
Employee Pensions and Benefits	1,128
Office Services and Rentals	2,800
Office Supplies and Expenses	9,071
Insurance	3,653
General Expenses	2,318
<b>Net Administrative and General Expenses</b>	49,405
<b>Total Operating Expenses</b>	77,428
Taxes Other Than Income Taxes	17,748
State Corporate Income Tax Expense	800
<b>Total Operating Revenue Deductions</b>	95,976
<b>Total Utility Operating Loss</b>	(3,612)
 <b>OTHER INCOME AND DEDUCTIONS</b>	
Miscellaneous Non-Utility Expense	(7,600)
<b>Total Other Income and Deductions</b>	(7,600)
Net Loss	(\$11,212)

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