

**CALIFORNIA PUBLIC UTILITIES COMMISSION
DIVISION OF WATER AND AUDITS**

Advice Letter Cover Sheet

Utility Name: [Yerba Buena Water Company](#)

Dated Mailed to Service List: [12/4/2020](#)

District: [N/A](#)

CPUC Utility #: [WTD-323](#)

Protest Deadline (20th Day): [12/24/2020](#)

Advice Letter #: [56](#)

Review Deadline (30th Day): [1/3/2021](#)

Tier: 1 2 3 Compliance

Requested Effective Date: [ASAP](#)

Authorization: [Section 816 and 829 of the California Public Utilities Code](#)

Rate Impact: [N/A](#)

Description: [Request authorization to recognize related party accounts payable as long term debt](#)

The protest or response deadline for this advice letter is 20 days from the date that this advice letter was mailed to the service list. Please see the "Response or Protest" section in the advice letter for more information.

Utility Contact: [Robert Berry](#)

Utility Contact: [Christian L. Aldinger](#)

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DWA Contact: [Tariff Unit](#)

Phone: [415-703-1133](#)

Email: Water.Division@cpuc.ca.gov

DWA USE ONLY

<u>DATE</u>	<u>STAFF</u>	<u>COMMENTS</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

APPROVED

WITHDRAWN

REJECTED

Signature: _____ **Comments:** _____

Date: _____

Yerba Buena Water Company

P.O. Box 3829
Paso Robles, CA 93447
Telephone: 805-227-6168
Email: rberry34@aol.com

December 4, 2020

Advice Letter No.: 56

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Yerba Buena Water Company (WTD-323) hereby transmits for the following financing pursuant to Section 816 of the California Public Utilities Code and Decision 93-11-066, and General Order 96-B.

In 2020 the Utility Audits Branch, Utility Audits, Risk and Compliance Division performed a review of YBWC's 2019 annual report. In the report issued by the Utility Audits Branch, Observation #2 requested YBWC to reclassify \$443,503 from account 231 Accounts Payable to Account 224, Long Term Debt. The Utility Audit Branch's report also notes that YBWC did not encumber any of its utility property and further notes that the advances were unsecured.

YBWC is a Class D water utility with a total of 245 customers. YBWC is unique in that the service area served by YBWC is right on the coastline in Malibu, California and consequently very valuable property and expensive homes are the customers of YBWC. Also unique about YBWC is that the company does not have any employees and relies on outside contractors to perform field operations.

Since many of YBWC's pipelines and water mains run directly below Pacific Coast Highway, as large trucks travel Pacific Coast Highway the ground shifts and the result is quite often a significant leak. To repair a leak under Pacific Coast Highway requires additional traffic mitigation and makes the repairs costly. Over the years when YBWC has needed to utilize its outside vendors to make costly repairs, YBWC has been cognizant that the vendor would need to be paid in a timely manner. There have been times where YBWC did not have the financial resources to timely pay certain outside vendors. During those instances and to be able to maintain solid relationships with those vendors the invoices were paid directly by Crown Pointe Estates LLC (CPE), a company affiliated with the owners of YBWC and CPE essentially substituted itself for the outside vendors. The liability remained unsecured and the YBWC assets unencumbered.

YBWC has been able to reduce the accounts payable to CPE over the past several years, until the Woolsey Fire in 2018 caused YBWC significant damage requiring extensive repairs and reduced revenues in 2019. YBWC recognizes it will not be able to pay these liabilities to CPE within one year. The Utility Audit Branch requests that the payables that will not be paid within one year be reclassified as long term debt even though YBWC never actually borrowed any money.

Therefore, the solution that YBWC proposes is as follows:

YBWC be granted by the CPUC the authority to consider \$443,503 of these accounts payable as unsecured long term debt.

A utility's ability to obtain a loan comes from Public Utilities Code Section 816 and a utility's ability to encumber its property comes from Public Utilities Code Section 851. YBWC did not encumber its property.

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The Public Utilities Code Section 817 contains a list of the allowable purposes that a utility may borrow money. YBWC never actually borrowed any money.

YBWC also notes that Public Utilities Code Section 829(2)(c) states:

(c) The commission may from time to time by order or rule, and subject to such terms and conditions as therein, exempt any public utility or class of public utility from this article if it finds that the application thereof to such public utility or class of public utility is not necessary in the public interest.

As both Section 816 and 829 are contained in article 5 of the Public Utilities code, the code would give the Commission the authority to approve that these payables be considered long term debt.

As it was clearly in the public interest that YBWC be able to make repairs to its system, it is also in the public interest for YBWC to maintain solid relationships with its outside vendors. YBWC proposes that the terms of the liability to CPE remain unchanged. This would mean no interest would accrue on the payable or the liability. Also that repayment be made from time to time as YBWC management determines is possible with a focus on maintaining YBWC in a solid financial position.

TIER DESIGNATION AND REQUESTED EFFECTIVE DATE

This AL and the enclosed tariff sheets are submitted pursuant to General Order (GO) 96-B. AL 56 is designated as a Tier 3 filing.

NOTICE

This AL does not require notice.

RESPONSE OR PROTEST

Anyone may respond to or protest this AL. A response supports the filing and may contain information that proves useful to the Commission in evaluating the AL. A protest objects to the AL in whole or in part and must set forth the specific grounds on which it is based. These grounds are:

1. The utility did not properly serve or give notice of the AL;
2. The relief requested in the AL would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;
3. The analysis, calculations, or data in the AL contain material error or omission;
4. The relief requested in the AL is pending before the Commission in a formal proceeding; or
5. The relief requested in the AL requires consideration in a formal hearing, or is otherwise inappropriate for the AL process; or
6. The relief requested in the AL is unjust, unreasonable, or discriminatory, provided that such a protest may not be made where it would require relitigating a prior order of the Commission.

A protest may not rely on policy objections to an AL where the relief requested in the AL follows rules or directions established by statute or Commission order applicable to the utility.

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A protest shall provide citations or proofs where available to allow staff to properly consider the protest. DWA must receive a response or protest via email (or postal mail) within 20 days of the date this AL is filed. The addresses for submitting a response or protest are:

Email Address:

Water.Division@cpuc.ca.gov

Mailing Address:

California Public Utilities Commission
Water Division, 3rd Floor
505 Van Ness Avenue
San Francisco, CA 94102

On the same day the response or protest is submitted to DWA, the respondent or protestant shall send a copy of the protest to the utility at:

Email Address:

rberry34@aol.com

Mailing Address:

[Yerba Buena Water Company](#)
P.O. Box 3829
Paso Robles, CA 93447

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform DWA, within the 20 day protest period, so that a late filed protest can be entertained. The informing document should include an estimate of the date the proposed protest might be voted on.

REPLIES

The utility shall reply to each protest and may reply to any response. Any reply must be received by DWA within five business days after the end of the protest period, and shall be served on the same day on each person who filed the protest or response to the AL.¹

Yerba Buena Water Company

By: /s/ Robert Berry

Robert M. Berry
President

¹ GO. 96-B, General Rule 7.4.3

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SERVICE LIST

Los Angeles County Water Works District 29
Attn: Sean Vanaei, Area Engineer
Malibu Office
23533 W. Civic Center Way
Malibu, CA 90265

California American Water Company
Ventura County District
2439 West Hillcrest
Newbury Park, CA 91320

I hereby certify that the above service list has been served a copy of AL 56 on December 4, 2020.

Executed in Paso Robles, California on December 4, 2020.

Yerba Buena Water Company

By: /s/ Robert Berry

Robert M. Berry
President