

PRELIMINARY STATEMENTS

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**A. Territory served by the Utility**

The areas in which service is or will be furnished by this utility under its main extension rule are described below and are delineated on the tariff area maps shown on tariff sheets following:

Contra Costa County:

\*Bay

Imperial County:

Calipatria-Niland

Lake County:

\*Clearlake

Los Angeles County:

Metropolitan  
Pomona Valley  
San Dimas  
San Gabriel Valley  
Wrightwood

Orange County

Orange County

Sacramento County:

Arden-Cordova  
Service is rendered in this District under  
the name of Arden-Cordova Water Service

San Bernardino County:

Barstow  
Desert  
Wrightwood

(D)

San Luis Obispo County:

\*Los Osos  
\*Santa Maria (Vista)

Santa Barbara County:

\*Santa Maria (Lake Marie, Orcutt, Sisquoc and Tanglewood)

Ventura County:

Ojai  
Simi Valley

\*Service is rendered in this district under the name of California Cities Water.

(Continued)

Advice Letter No. 803-W

Decision No. \_\_\_\_\_

ISSUED BY

**W. V. CAVENEY**

President

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Resolution No. \_\_\_\_\_

PRELIMINARY STATEMENTS  
(Continued)

**B. Types and Classes of Services**

The types and classes of services furnished are set forth in each rate schedule under the designation "Applicability".

**C. Description of Service**

The characteristics of the service furnished are indicated in Rule No. 2, Description of Service.

**D. Procedure to Obtain Service**

Service as described herein will be furnished to any person or corporation whose premises are within the utility's service area, provided application is made in accordance with Rule No. 3, Application for Service; credit is established as required in Rule No. 6, Establishment and Re-establishment of Credit; customer's piping and valves are installed as required in Rule No. 16, Service Connections, Meters, and Customer's Facilities, under "Customer's Responsibility"; and a contract is signed in those certain circumstances specified in Rule No. 4, Contracts.

Where an extension of the utility's mains is necessary Rule No. 15, Main Extensions, applies, and if the project is of a temporary or speculative nature, Rule No. 13, Temporary Service, is applicable.

Applicants for service and customers must also conform to and comply with the other established rules as provided herein.

**E. Symbols**

Whenever tariff sheets are refiled, changes will be identified by the following symbols:

- (C) To signify changed listing, rule, or condition which may affect rates or charges.
- (D) To signify discontinued material, including listing, rate, rule or condition.
- (I) To signify increase.
- (L) To signify material relocated from or to another part of tariff schedules with no change in text, rate, rule or condition.
- (N) To signify new material including listing, rate, rule or condition.
- (R) To signify reduction.
- (T) To signify change in wording of text but not change in rate, rule or condition.

(Continued)

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**W. V. CAVENEY**

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President

Resolution No. \_\_\_\_\_

PRELIMINARY STATEMENTS

(Continued)

**F. INCOME TAX COMPONENT OF CONTRIBUTION PROVISION (N)**

1. General. Effective on and after January 1, 1987, all Contributions in Aid of Construction and Advances for Construction (Contributions) made to the Company pursuant to its tariffs shall include a cost component to cover the Company's estimated liability for Federal Income Tax resulting therefrom.

2. Definations

a. Contributions: Contributions shall include, but are not limited to, cash, services, facilities, labor, property, and income taxes thereon provided to the Company by a person or agency. The value of all Contributions shall be based on the Company's estimates. Contributions shall consist of two components as follows:

(1) Income Tax Component of Contribution, (ITCC), and

(2) The balance of the Contribution, excluding ITCC, (Balance of Contribution).

b. Government Agency: For purposes of administering this part of the Preliminary Statements, a Government Agency shall be a California state, county, or local government agency.

c. Public Benefit: Where, in the opinion of the Company, a benefit to the public as a whole is clearly shown by the Government Agency making the Contribution for a project.

3. Determination of ITCC

a. The ITCC shall be calculated by multiplying the Balance of the Contribution by the Tax Factor of:

(1) 0.312 for calendar year 1987 contributions; and

(2) 0.246 on and after January 1, 1988.

(N)

(Continued)

ISSUED BY

Date Filed: December 7, 1987

Advice Letter No. 775-W

**W. V. CAVENEY**

Effective Date: January 1, 1987

Decision No. 87-09-026

President

Resolution No. \_\_\_\_\_

PRELIMINARY STATEMENTS

(Continued)

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**F. INCOME TAX COMPONENT OF CONTRIBUTION PROVISION (Continued) (N)**

3. Determination of ITCC (Continued)

b. The tax factor included herein is established using Method 5 as set forth in and pursuant to the Commission's Decision No. 87-09-026. Should the Internal Revenue Service (IRS) deem Method 5 to be a violation of the tax normalization rules, any penalties, interest or taxes incurred by the Company shall be recovered through general rates.

4. Applicability. The ITCC shall apply to Contributions under the tariffs including but not limited to Rule Nos. 4, 13, and 15.

5. State Taxes. Under the current California State law, Contributions are not taxable at the time of the Contribution. In the event legislation is enacted to conform state law to federal law, the Company may increase the amount it collects from the Contributor to include its estimate of the tax resulting therefrom. In the event state law is applied retroactively, the Company may collect such tax for the retroactive period through general rates in accordance with Ordering Paragraph No. 6 of Decision No. 87-09-026.

6. The Company may accept a contractual promise to pay the ITCC, including interest thereon, (using an Agreement form filed with and approved by the Commission) from a Government Agency required to make a Contribution pursuant to the tariffs where the Government Agency's project:

- a. Provides a Public Benefit as defined above, or
- b. Results from condemnation of Company facilities, the threat or imminence thereof, which is supported by evidence provided by the Government Agency which is acceptable to the Company.

Unless an irrevocable determination acceptable to the Company is issued by the IRS that there is no tax liability to the Company on the Contribution for which the promise to pay was made, the

(N)

(Continued)

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Resolution No. \_\_\_\_\_

Advice Letter No. 775-W

Decision No. 87-09-026

PRELIMINARY STATEMENTS

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**F. INCOME TAX COMPONENT OF CONTRIBUTION PROVISION (Continued) (N)**

6. (Continued)

ITCC, including interest thereon, shall be due and payable no later than September 10, 1989. If the IRS makes a determination that the Contribution (or a contribution of that type) is taxable prior to September 10, 1989, the payment will become due at that time.

The Government Agency shall also pay, upon demand by the Company, any expense associated with, or incurred by the Company related to the promise to pay such as, but not limited to, administrative and legal costs, interest, and penalties assessed by the IRS.

7. Interest Rate. When interest is payable under this Part of the Preliminary Statement by the Contributor to the Company or by the Company to the Contributor, the Interest Rate to be applied each month to the balance due (including all prior interest) shall be 1/12 of the most recent month's interest rate on Commercial Paper (prime, three months), published in the Federal Reserve Statistical Release, G.13. Should publication of the interest rate on Commercial Paper, (prime, three months) be discontinued, interest will so accrue at the rate of 1/12 of the most recent month's interest rate on Commercial Paper, which most closely approximates the rate that was discontinued and which is published in the Federal Reserve Statistical Release, G.13, or its successor publication.

8. Revisions. Changes in the Tax Factor which would increase or decrease the rate by five percentage points or more shall be made by advice letter filing as authorized in Ordering Paragraph No. 7 of Decision No. 87-09-026.(N)

(Continued)

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**W. V. CAVENEY**

President

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Resolution No. \_\_\_\_\_

Advice Letter No. 775-W

Decision No. 87-09-026

PRELIMINARY STATEMENTS

(Continued)

**G. CONTAMINANT REMEDIATION MEMORANDUM ACCOUNT**

(N)

SCWC shall maintain a Contaminant Remediation Memorandum Account (CRMA) pursuant to Decision No. 04-03-039. The CRMA shall become effective 30 days from the filing date of Advice Letter 1146-W.

1. Purpose

The purpose of the CRMA is to record all incremental costs to comply with MTBE, perchlorate, NDMA, Radon and Arsenic with Maximum Contamination Levels (MCL) and contamination remediation requirements.

The CRMA includes incremental expenses related to capital, operation and maintenance, monitoring, legal , and consultant expenses associated with activities to mitigate the effects of the five specified contaminants.

SCWC shall maintain the CRMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the CRMA at the end of each month to record the incremental costs.
- b. A debit entry equal to interest on the balance in the account at the beginning of the month and half the balance after the above entry (a.) , at a rate equal to one-twelfth of the rate on three month Commercial Paper, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

Cost recovery shall be net of any previous expenses that were authorized to comply with previous remediation requirements that have been superseded as well as any reimbursements directly related to the projects and costs being accumulated in the CRMA.

SCWC will request Commission approval for recovery of the costs recorded in the CRMA in a proceeding authorized by the Commission.

(N)

(Continued)

PRELIMINARY STATEMENTS

(Continued)

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**H. OUTSIDE SERVICES MEMORANDUM ACCOUNT**

(N)

SCWC shall maintain the Outside Services Memorandum Account (OSMA) pursuant to Decision No. 04-08-053.

1. Purpose

The purpose of the OSMA is to track ongoing costs working with public agencies on water supply reliability and rate issues as well as potential litigation expenses to settle disputes over long-term storage costs in the Region II service territory.

The OSMA shall include:

1. All costs working with public agencies on water supply reliability and rate issues – Water Replenishment District (WRD) and WRD Technical Advisory Committee, Central and West Basin Municipal Water Districts, Metropolitan Water District, West Basin Water Association and Central Basin Water Association, such as: Preparation for and attending Agency and Association meetings and hearings including committee meetings, costs to review and respond to board and committee memoranda, costs to attend meetings with stakeholders, costs for legal and policy research to defend and support positions to protect ratepayers, costs to identify, analyze, and propose statutory changes to defend and support positions to protect ratepayers, and employment of experts to defend against any legislation that has a negative impact on rates.
2. All costs to participate in the Conjunctive Use Working Group (CUWG) Settlement negotiations and potential litigation to resolve disputes over long-term storage costs, such as: Preparation for and attending CUWG meetings and related Institutional Work Group, attending related Technical Work Group, costs for legal research, draft pleadings and other court documents, costs to prepare for and attend meetings with potential litigants, costs to conduct discovery and file motions, and employment of expert witnesses.

SCWC shall maintain the OSMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the OSMA at the end of each month to record the expenses
- b. A debit entry equal to interest on the balance in the account at the beginning of the month and half the balance after the above entry (a.) , at a rate equal to one-twelfth of the rate on three month Commercial Paper, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

Disposition of amounts recorded in the OSMA shall be determined in a regulatory proceeding authorized by the Commission.

(N)

(Continued)

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**F.E. WICKS**

President

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Resolution No. \_\_\_\_\_

Advice Letter No. 1198-W

Decision No. 04-08-053

PRELIMINARY STATEMENTS

(Continued)

**I. SIMI VALLEY PURCHASED WATER MEMORANDUM ACCOUNT (N)**

SCWC shall maintain a Simi Valley Purchased Water Memorandum Account ("SVPWMA") pursuant to Decision No. 04-08-052.

1. Purpose

The purpose of the SVPWMA is to record all incremental purchased water costs from Calleguas MWD attributed to their new rate structure methodology.

The SVPWMA shall include all incremental purchased water costs in the Simi Valley Customer Service Area.

SCWC shall maintain the SVPWMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the SVPWMA at the end of each month to record the costs.
- b. A debit entry equal to interest on the balance in the account at the beginning of the month and half the balance after the above entry (a.) , at a rate equal to one-twelfth of the rate on three month Commercial Paper, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

Disposition of amounts recorded in the SVPWMA shall be determined in a regulatory proceeding authorized by the Commission (N)

(Continued)

PRELIMINARY STATEMENTS

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**J. MILITARY FAMILY RELIEF PROGRAM MEMORANDUM ACCOUNT (N)**

GSW shall maintain a Military Family Relief Program Memorandum Account ("MFRPMA") to provide for review and potential recovery of reduced revenues resulting from implementation of the Military Family Relief Program as describes in Rule No. 21.

1. Purpose

The purpose of the MFRPMA is to record all uncollectibles and program-related expenses for the implementation and administration of the Military Family Relief Program.

The MFRPMA shall include MFRP uncollectibles and administrative costs such as printing, publishing, and mailing related notices.

GSW shall maintain the MFRPMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the MFRPMA at the end of each month to record the costs.
- b. A debit entry equal to interest on the balance in the account at the beginning of the month and half the balance after the above entry (a.) , at a rate equal to one-twelfth of the rate on three month Commercial Paper, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

Disposition of amounts recorded in the MFRPMA shall be determined in a regulatory proceeding authorized by the Commission (N)

(Continued)

PRELIMINARY STATEMENTS

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**K. CALIPATRIA PRISON MEMORANDUM ACCOUNT**

(N)

Golden State Water Company ("GSW") shall maintain a Calipatria Prison Memorandum Account ("CPMA") to facilitate review and potential recovery of reduced revenues resulting from discounted water service to the California Department of Correction and Rehabilitation ("CDC") in respect of the Calipatria Prison.

1. Purpose

The purpose of the CPMA is to track the revenue shortfall in Region III associated with water service to the Calipatria Prison.

The CPMA shall include the revenue variance between the current (and any subsequently agreed upon) Calipatria Prison water rate and the otherwise applicable tariff rate for service to the prison.

GSW shall maintain the CPMA making entries at the end of each month as follows:

- a. A debit entry shall be made to the CPMA at the end of each month to record the revenue shortfall.
- b. A debit entry equal to interest on the balance in the account at the beginning of the month and half the balance after the above entry (a.) , at a rate equal to one-twelfth of the rate on three month Commercial Paper, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

Disposition of amounts recorded in the CPMA shall be determined in a subsequent regulatory proceeding, as authorized by the Commission (N)

(Continued)

**PRELIMINARY STATEMENTS**

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**L. ORANGE COUNTY ANNEXATION MEMORANDUM ACCOUNT**

(N)

Golden State Water Company ("GSWC") shall maintain an Orange County Annexation Memorandum Account ("OCAMA") to track the costs associated with GSWC's efforts to protect its water rights in the Orange County Groundwater Basin from injury due to the proposed annexation of additional lands into the Orange County Water District.

1. Purpose

The purpose of the OCAMA is to track ongoing costs of monitoring and opposing the proposed annexation, including potential litigation expenses to protect GSWC's water rights in the Orange County Groundwater Basin.

The OCAMA shall include:

1. All expenses incurred such as: monitoring of annexation-related activities by OCWD and other surrounding water agencies, submitting comments in the environmental review process, appearances before OCWD and the Local Agency Formation Commission, legislative advocacy, and administrative and court action costs.

GSWC shall maintain the OCAMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the OCAMA at the end of each month to record the revenue shortfall.
- b. A debit entry equal to interest on the balance in the account at the beginning of the month and half the balance after the above entry (a.), at a rate equal to one-twelfth of the rate on three month Commercial Paper, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

Disposition of amounts recorded in the OCAMA shall be determined in a subsequent regulatory proceeding, as authorized by the Commission.

(N)

(Continued)

**PRELIMINARY STATEMENTS**

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**M. SANTA MARIA WATER RIGHTS MEMORANDUM ACCOUNT**

(N)

Golden State Water Company ("GSWC") shall maintain a Santa Maria Water Rights Memorandum Account ("SMWRMA") to track the litigation costs associated with GSWC's efforts to protect its water rights in the Santa Maria Groundwater Basin due to the adjudication by the superior court, pursuant to Decision No. 07-05-041.

1. Purpose

The purpose of the SMWRMA is to track the legal costs incurred after 12/31/2005 for monitoring and participating in the adjudication, including litigation expenses to protect GSWC's water rights in the Santa Maria Groundwater Basin.

2. Applicability

The SMWRMA applies to all Santa Maria rate schedules.

The SMWRMA shall include:

All expenses incurred such as: monitoring of adjudication-related activities by the superior court and other interested parties to the groundwater basin, submitting comments, appearances before superior court, and court action costs.

GSWC shall maintain the SMWRMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the SMWRMA at the end of each month to record the litigation expenses.
- b. Interest shall accrue to the SMWRMA on a monthly basis by applying a rate equal to one-twelfth of the 3-month Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

3. Effective Date

The SMWRMA shall go into effect on the effective date of Advice Letter 1244-WA.

4. Disposition

Disposition of amounts recorded in the SMWRMA shall be determined in a subsequent regulatory proceeding, as authorized by the Commission.

(N)

**PRELIMINARY STATEMENTS**

(Continued)

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**N. SANTA MARIA WATER RIGHTS BALANCING ACCOUNT**

(N)

Golden State Water Company ("GSWC") shall maintain a Santa Maria Water Rights Balancing Account ("SMWRBA") to track the revenue generated from the temporary surcharge to amortize \$2,754,211 in legal expenses incurred, as of December 31, 2005, to protect its water rights in the Santa Maria Groundwater Basin due to the adjudication by the superior court, pursuant to Decision No. 07-05-041. The recovery will be over a 10-year period, commencing from the effective date of Advice Letter 1244-WA.

1. Purpose

The purpose of the SMWRBA is to record on a monthly basis GSWC's SMWRBA revenue, approved by the Commission. The SMWRBA will remain in effect for the period of the authorized surcharge, for a period of 10 years, or until the SMWRBA is fully recovered, whichever is sooner.

2. Effective Date

The SMWRBA shall go into effect on the effective date of Advice Letter 1244-WA.

GSWC shall maintain the SMWRBA by making entries at the end of each month as follows:

- a. A credit entry shall be made to the SMWRBA equal to the revenue collected from the temporary surcharge.
- b. Interest shall accrue to the SMWRBA on a monthly basis by applying a rate equal to one-twelfth of the sum of the 10-year Treasury Rate plus 1.5% to the average of the beginning-of-month and the end-of-month balances. The interest rate will be adjusted monthly to reflect changes to the 10-year Treasury note rate as reported in the Federal Reserve Statistical Release ([www.federalreserve.gov/releases/h15/current/](http://www.federalreserve.gov/releases/h15/current/), viewed on July 12, 2007).

(N)

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**F.E. WICKS**

President

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Resolution No. \_\_\_\_\_

Advice Letter No. 1244-WA

Decision No. 07-05-041

**PRELIMINARY STATEMENTS**

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**O. SANTA MARIA STIPULATION MEMORANDUM ACCOUNT**

(N)

Golden State Water Company ("GSWC") shall maintain a Santa Maria Stipulation Memorandum Account ("SMSMA") to track the expenses of the Nipomo Mesa Management Area Technical Group and the Twitchell Management Authority.

1. Purpose

The purpose of the SMSMA is to track the expenses for the Nipomo Mesa Management Area Technical Group and the Twitchell Management Authority, which are required to monitor and protect GSWC's water rights in the adjudication of the Santa Maria Groundwater Basin.

2. Applicability

The SMSMA does not have a rate component.

The SMSMA shall include:

The costs to perform the task required for the operational integrity of the Twitchell Reservoir and to ensure Twitchell Yield and the cost to establish a technical group to develop a monitoring program and to review and provide recommendations on technical matters regarding the Nipomo Mesa Management Area. The annual costs for GSWC to participate in these programs has been capped at \$18,750 for Nipomo Mesa Management Area and \$218,750 for Twitchell Management Authority, for the first five years.

GSWC shall maintain the SMSMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the SMSMA at the end of each month to record the expenses discussed above.
- b. Interest shall accrue to the SMSMA on a monthly basis by applying a rate equal to one-twelfth of the 3-month Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

3. Effective Date

The SMSMA shall go into effect on the effective date of Advice Letter 1246-W.

4. Disposition

Disposition of amounts recorded in the SMSMA shall be determined in a subsequent regulatory proceeding, as authorized by the Commission.

(N)

**PRELIMINARY STATEMENTS**

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**P. CONSERVATION OIL MEMORANDUM ACCOUNT**

Golden State Water Company ("GSWC") shall maintain a Conservation Oil Memorandum Account ("Memo Account") to track legal and related expenses in participating in the Commission's proceeding from the date of issuance of the Commission's Order Instituting Investigation ("OII").

1. Purpose

The purpose of the Memo Account is to track legal and regulatory related expenses associated in participating in the Conservation OII from the date of issuance. (C)

2. Applicability

The Memo Account does not have a rate component.

The Memo Account shall include:

The costs will include unanticipated legal and regulatory related expenses associated with participating in the Conservation OII proceedings. (C)

GSWC shall maintain the Memo Account by making entries at the end of each month as follows:

- a. A debit entry shall be made to the Memo Account at the end of each month to record the expenses discussed above.
- b. Interest shall accrue to the Memo Account on a monthly basis by applying a rate equal to one-twelfth of the 3-month Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

3. Effective Date

The Memo Account shall be made effect on the filing date of Advice Letter 1394-W. (C)

4. Disposition

GSWC will seek recovery of the expenses recorded in the Memo Account in its next general rate case or by filing a Tier 3 advice letter. (C)  
(C)

**PRELIMINARY STATEMENTS**

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**Q. CALIFORNIA ALTERNATIVE RATES FOR WATER (CARW) BALANCING ACCOUNT (N)**

Golden State Water Company ("GSWC") shall maintain a California Alternative Rates for Water Balancing Account ("CARWBA") to record the differences between CARW discounts, program costs, and the revenues generated by the CARW surcharge in Region I.

1. Purpose

The purpose of the CARWBA is to record the CARW discounts, program costs and revenues in the Region I service areas.

2. Applicability

The CARWBA will record the CARW surcharges, discounts, and program costs as follows:

- 1.) CARW discounts for service, as provided under Schedule No. LI-20.
- 2.) Incremental cost for the CARW program administration, which have not been reflected in authorized rates.
- 3.) Recorded surcharge revenues collected from ineligible Region I customers.

GSWC shall maintain the CARWBA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the CARWBA at the end of each month to record the CARW discounts and program costs.
- b. A credit entry shall be made to the CARWBA at the end of each month to record the revenues from the CARW surcharges.
- c. Interest shall accrue to the CARWBA on a monthly basis by applying a rate equal to one-twelfth of the 3-month non-financial Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

3. Effective Date

The CARWBA shall go into effect on the effective date of Advice Letter 1274-W.

4. Disposition

Disposition of amounts recorded in the CARWBA balancing account will be recovered or refunded as part of GSWC's General Rate Case proceedings. (N)

ISSUED BY

**F.E. WICKS**

President

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Resolution No. \_\_\_\_\_

Advice Letter No. 1274-W

Decision No. 08-01-043

**PRELIMINARY STATEMENTS**

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**R. DUAL PURPOSE METER MEMORANDUM ACCOUNT**

(N)

Golden State Water Company (GSWC) requests to establish a Dual Purpose Meter Memorandum Account (DPMMA).

1. Purpose

The DPMMA will record the revenue shortfall as a result of GSWC reducing the monthly service charges to those residential customers who have larger meters, due to the local fire protection requirements in their homes, who would have otherwise had smaller meters for domestic purpose only.

2. Applicability

The DPMMA will record the difference between the adopted monthly service charges and the reduced service charges for those customers with fire protection that have requested and were granted reduced service charges to reflect domestic service only.

GSWC shall maintain the DPMMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the DPMMA at the end of each month to record the revenue shortfall and administrative costs.
- b. Interest shall accrue to the DPMMA on a monthly basis by applying a rate equal to one-twelfth of the 3-month non-financial Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

3. Effective Date

The DPMMA shall go into effect on the effective date of Advice Letter 1279-W.

4. Disposition

Disposition of amounts recorded in the DPMMA will be determined in GSWC's next GRC or in a subsequent regulatory proceeding, as authorized by the Commission.

(N)

**PRELIMINARY STATEMENTS**

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**S. BAY POINT WATER QUALITY MEMORANDUM ACCOUNT**

(N)

Golden State Water Company (GSWC) requests to establish a Bay Point Water Quality Memorandum Account (BPWQMA).

1. Purpose

The BPWQMA will record the cost difference between purchased treated water and the adopted purchased raw water from the Contra Costa Water District.

2. Applicability

The BPWQMA will track the incremental costs associated with purchasing additional treated water to replace purchased raw water due to contamination.

GSWC shall maintain the BPWQMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the BPWQMA at the end of each month to record the difference in additional purchased water expenses.
- b. Interest shall accrue to the BPWQMA on a monthly basis by applying a rate equal to one-twelfth of the 3-month non-financial Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

3. Effective Date

The BPWQMA shall go into effect on the effective date of Advice Letter 1282-W.

4. Disposition

Disposition of amounts recorded in the BPWQMA will be determined in GSWC's next GRC or in a subsequent regulatory proceeding, as authorized by the Commission.

(N)

**PRELIMINARY STATEMENTS**

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**T. WATER CONSERVATION MEMORANDUM ACCOUNT**

(N)

Golden State Water Company ("GSWC") requests to establish a Water Conservation Memorandum Account ("WCMA").

1. Purpose

The WCMA will track the extraordinary expenses and revenue shortfall associated with the conservation measures in conjunction with the Governor's declared drought in California.

2. Applicability

The WCMA will record GSWC's revenue shortfall, incremental public relations expenses, incremental water conservation material expenses, and other Operations and Maintenance ("O&M") and Administrative and General ("A&G") expenses that are unforeseen and unexpected directly associated with implementing the mandated conservation practices outlined in the Executive Order by the Governor of the State of California.

GSWC shall maintain the WCMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the WCMA at the end of each month to record the incremental expenses.
- b. Interest shall accrue to the WCMA on a monthly basis by applying a rate equal to one-twelfth of the 3-month non-financial Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

3. Effective Date

The WCMA shall go into effect on the effective date of Advice Letter 1284-W.

4. Disposition

Disposition of amounts recorded in the WCMA will be determined in GSWC's next GRC or in a subsequent regulatory proceeding, as authorized by the Commission.

(N)

**PRELIMINARY STATEMENTS**

(Continued)

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**V. LOS OSOS INTERLOCUTORY STIPULATED JUDGMENT MEMORANDUM ACCOUNT (N)**

Golden State Water Company (GSWC) shall maintain a Los Osos Interlocutory Stipulated Judgment Memorandum Account (LOISJMA) to track its share of expenses for additional studies that may be necessary to characterize the Los Osos Valley Groundwater Basin sufficiently to support development of the Basin Management Plan (BMP). The costs for the additional studies will be shared by the following parties:

***The County of San Luis Obispo (County) -20%***  
***Los Osos Community Services District (LOSCD) -39%***  
***Golden State Water Company (GSWC) -37%***  
***S & T Mutual Water Company (S&T) 4%***

1. Purpose

The purpose of the LOISJMA will be to track GSWC's expenses associated with the additional Studies that may be necessary to evaluate the Los Osos Valley Groundwater Basin sufficiently to support development of the BMP as stated in paragraphs III C and III D of the ISJ.

2. Applicability

The LOISJMA does not have a rate component.

GSWC shall maintain its LOISJMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the LOISJMA at the end of each month to record GSWC's share of the costs for any additional studies agreed to by LOCS, GSWC and S&T.
- b. Interest shall accrue to the LOISJMA on a monthly basis by applying a rate equal to one-twelfth of the 3-month Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

3. Effective Date

The LOISJMA shall go into effect on the effective date of Advice Letter 1294-W, which is October 9, 2008.

4. Disposition

Disposition of amounts recorded in the LOISJMA shall be determined in a subsequent Regulatory proceeding, as authorized by the Commission.

(N)

**PRELIMINARY STATEMENTS**

(Continued)

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**W. WATER REVENUE ADJUSTMENT MECHANISM/MODIFIED COST BALANCING ACCOUNT (N)  
(WRAM/MCBA)**

1. Purpose

The purpose of the WRAM/MCBA Balancing Account is to track the difference between Commission Approved water revenue and actual water revenues along with Commission approved supply expenses vs. actual supply expense. The Commission has determined that these accounting mechanisms are appropriate in coordination with a trial program of increasing block rate structures and increased conservation activities. The trial program will be reviewed with Golden State Water Company's (GSWC) next General Rate Case proceeding.

2. Applicability

The WRAM Balancing Account and MCBA apply to all ratemaking areas within Region II and Region III.

3. Definitions

- A. WRAM-eligible revenue is all General Metered revenue. General Metered revenue is revenue generated from customers under the ME-1-R and ME-1-NR tariffs from Region II and the R3-1-R and R3-1-NR tariffs from Region III.
- B. Recorded WRAM-eligible revenue is all revenue billed to General Metered customers in a particular period.
- C. Adopted WRAM-eligible revenue is all Commission approved revenue billed to General Metered customers.
- D. MCBA-eligible supply expenses are all purchase water expense, purchase power expense, and pump tax.
- E. Adopted MCBA-eligible expenses are all Commission approved purchase water expense, purchase power expense, and pump tax.
- F. Recorded MCBA-eligible expenses are all purchase water expense, purchase power expense, and pump tax in a particular period.

4. Accounting Procedure

- A. The following entries will be recorded monthly to each ratemaking area's WRAM Balancing Account:
  - 1. Recorded WRAM-eligible revenue
  - 2. Adopted WRAM-eligible revenue (See Paragraph 8)
  - 3. Total net WRAM balance = (1) minus (2)

(N)

ISSUED BY

Date Filed: October 24, 2008

Advice Letter No. 1301-W

**F.E. WICKS**

Effective Date: November 24, 2008

Decision No. 08-08-030

President

Resolution No. \_\_\_\_\_

**PRELIMINARY STATEMENTS**

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**W. WATER REVENUE ADJUSTMENT MECHANISM/MODIFIED COST BALANCING ACCOUNT (N)**  
**(WRAM/MCBA)**

9. Disposition (continued)

C. Recovery of under-collections and refunds of overcollections will be passed on to ratepayers through volumetric surcharges and surcredits.

10. Maintaining Least Cost Water Mix

If there are significant changes in purchased water in a district that has multiple sources (which in turn affects the amount of purchased power and pump tax), GSWC will make a showing in the district's next GRC filing demonstrating that it has exercised due diligence in enduring the least-cost mix for its water sources, and that the significant change in water purchases was reasonable. For the purpose of the Trial Program, significant changes in water purchased are defined as when the annual volume of purchased water in a district is greater than 10% of the purchased water adopted in the most recent GRC for that district.

(N)

**PRELIMINARY STATEMENTS**

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(N)

**X. SUMMARY OF EARNINGS MEMORANDUM ACCOUNT**

Golden State Water Company (GSWC) shall maintain a Summary of Earnings Memorandum Account (SOEMA) to track the monthly revenue difference associated with the directive from the Division of Water and Audits (DWA) for GSWC to use the October 2008 Escalation Rates instead of September 2008 figures to develop the 2009 Escalation Year Increases.

1. Purpose

The purpose of the SOEMA will be to track the revenue difference caused by the directive from DWA for GSWC to use the October 2008 Escalation Rates instead of September 2008 Escalation Rates to develop the 2009 Escalation Year Increases. However, if the Commission decides, at a later time, that DWA was correct with its directives to use October 2008 Escalation Rates then the SOEMA will be closed and no recovery will be necessary. If the Commission rules that a another month (other than October 2008) was to be used then the SOEMA will track the revenue difference.

2. Applicability

The SOEMA does not have a rate component.

The SOEMA shall include:

The calculated monthly revenue difference caused by the use of the October 2008 Escalation Rates instead of the September 2008 Escalation Rates to calculate the 2009 Escalation Year increases.

GSWC shall maintain the SOEMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the SOEMA at the end of each month to record the expenses discussed above.
- b. Interest shall accrue to the SOEMA on a monthly basis by applying a rate equal to one-twelfth of the 3-month Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

3. Effective Date

The SOEMA shall go into effect on the effective date of Advice Letter 1313-W.

4. Disposition

Disposition of amounts recorded in the SOEMA shall be determined in a subsequent regulatory proceeding, as authorized by the Commission.

(N)

**PRELIMINARY STATEMENTS**

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**Z. Bay Point Mandatory Conservation Rationing Implementation Memorandum Account (N)**

Golden State Water Company ("GSWC") requests to establish a Bay Point Mandatory Conservation Rationing Implementation Memorandum Account (BPMCRIMA).

1. Purpose

The BPMCRIMA will track the operating costs and administration costs associated with the implementation of Schedule 14.1-BY in its Bay Point Customer Service Area.

2. Applicability

The BPMCRIMA will record the operating costs and administration costs associated with the implementing of Schedule No. 14.1-BY in its Bay Point Customer Service Area. The memorandum account will also track the penalties charges that CCWD imposes on GSWC for exceeding its allocation. Any additional income generated from the implementation of Schedule No. 14.1-BY in the Bay Point customer service area will also be recorded in this memorandum account.

GSWC shall maintain the BPMCRIMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the BPMCRIMA at the end of each month to record the incremental expenses.
- b. A credit entry shall be made to the BPMCRIMA at the end of each month to record the penalty charges collected.
- c. Interest shall accrue to the BPMCRIMA on a monthly basis by applying a rate equal to one-twelfth of the 3-month non-financial Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

3. Effective Date

The BPMCRIMA shall go into effect on the effective date of Advice Letter 1321-WA.

4. Disposition

Disposition of amounts recorded in the BPMCRIMA will be determined in a regulatory proceeding, as authorized by the Commission. GSWC will terminate this memorandum account when all implementation costs have been incurred and recorded.

(N)

ISSUED BY

Date Filed: May 4, 2009

Advice Letter No. 1321-WA

**R. J. SPROWLS**

Effective Date: May 1, 2009

Decision No. \_\_\_\_\_

President

Resolution No. \_\_\_\_\_

**PRELIMINARY STATEMENTS**

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**AA. Bay Point Water Rationing and Conservation Memorandum Account (N)**

Golden State Water Company ("GSWC") requests to establish a Bay Point Water Rationing and Conservation Memorandum Account (BPWRCMA).

1. Purpose

The BPWRCMA will track the revenue shortfall associated with the implementation of Schedule 14.1-BY and Conservation efforts in the Bay Point Customer Service Area. This Memo Account will track only the revenue shortfall that is outside the scope what is being tracked in the Water Conservation Memo Account (WCMA) approved in Advice Letter 1284-W.

2. Applicability

The BPWRCMA will record the revenue loss associated with the implementing of Schedule No. 14.1-BY in the Bay Point Customer Service Area.

GSWC shall maintain the BPWRCMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the BPWRCMA at the end of each month to record the incremental expenses and revenue loss.
- b. A credit entry shall be made to the BPWRCMA at the end of each month to record the penalty charges collected.
- c. Interest shall accrue to the BPWRCMA on a monthly basis by applying a rate equal to one-twelfth of the 3-month non-financial Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

3. Effective Date

The BPWRCMA shall go into effect on the effective date of Advice Letter 1321-WA.

4. Disposition

Disposition of amounts recorded in the BPWRCMA will be determined in a regulatory proceeding, as authorized by the Commission. This memorandum account will terminate on the effective date of the WRAM and MCBA in the Bay Point Customer Service Area. (N)

ISSUED BY

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Advice Letter No. 1321-WA

**R. J. SPROWLS**

Effective Date: May 1, 2009

Decision No. \_\_\_\_\_

President

Resolution No. \_\_\_\_\_

**PRELIMINARY STATEMENTS**

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**BB. Simi Valley Mandatory Conservation Rationing Implementation Memorandum Account (N)**

Golden State Water Company ("GSWC") requests to establish a Simi Valley Mandatory Conservation Rationing Implementation Memorandum Account (SIMCRIMA).

1. Purpose

The SIMCRIMA will track (1) any additional revenues (in the form of volumetric penalties from its customers for consumption over their allocations) generated from Schedule 14.1 SI; (2) its incremental operating expenses incurred after the date Schedule 14.1 SI is activated; (3) any penalties paid to its water wholesalers; and (4) any additional revenues in the form of penalties paid by customers for violating water use restrictions

2. Applicability

The SIMCRIMA will record the operating costs and administration costs associated with the implementing of Schedule No. 14.1-SI in its Simi Valley Customer Service Area. The memorandum account will also track the penalties charges that CMWD imposes on GSWC for exceeding its allocation. Any additional income generated from the implementation of Schedule No. 14.1-SI in the Simi Valley customer service area will also be recorded in this memorandum account.

GSWC shall maintain the SIMCRIMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the SIMCRIMA at the end of each month to record the incremental expenses.
- b. A credit entry shall be made to the SIMCRIMA at the end of each month to record the penalty charges collected.
- c. Interest shall accrue to the SIMCRIMA on a monthly basis by applying a rate equal to one-twelfth of the 3-month non-financial Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

3. Effective Date

The SIMCRIMA shall go into effect on the effective date of Advice Letter 1327-WB.

4. Disposition

GSWC shall cease recording costs to the SIMCRIMA once the drought is declared over and all costs have been incurred and recorded. GSWC shall request amortization of the SIMCRIMA balance in its next GRC or other formal proceeding.

(N)

**PRELIMINARY STATEMENTS**

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**CC. Simi Valley Water Rationing and Conservation Memorandum Account (N)**

Golden State Water Company ("GSWC") requests to establish a Simi Valley Water Rationing and Conservation Memorandum Account (SIWRCMA).

1. Purpose

The SIWRCMA will track the revenue shortfall associated with the implementation of Schedule 14.1-SI and Conservation efforts in the Simi Valley Customer Service Area. This Memo Account will track only the revenue shortfall that is outside the scope what is being tracked in the Water Conservation Memo Account (WCMA) approved in Advice Letter 1284-W.

Please note: When the Water Revenue Adjustment Mechanism is implemented for the Simi Valley Customer Service Area, entries to the SIWRCMA shall cease.

2. Applicability

The SIWRCMA will record the revenue loss associated with the implementing of Schedule No. 14.1-SI in the Simi Valley Customer Service Area.

GSWC shall maintain the SIWRCMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the SIWRCMA at the end of each month to record the incremental expenses and revenue loss.
- b. Interest shall accrue to the SIWRCMA on a monthly basis by applying a rate equal to one-twelfth of the 3-month non-financial Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

3. Effective Date

The SIWRCMA shall go into effect on the effective date of Advice Letter 1327-W.

4. Disposition

GSWC shall cease recording costs to the SIWRCMA once the drought is declared over and all costs have been incurred and recorded. GSWC shall request amortization of the SIWRCMA balance in its next GRC or other formal proceeding.

(N)

**PRELIMINARY STATEMENTS**

(Continued)

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**DD. Region II Mandatory Conservation Rationing Implementation Memorandum Account (N)**

Golden State Water Company ("GSWC") requests to establish a Region II Mandatory Conservation Rationing Implementation Memorandum Account (MEMCRIMA).

1. Purpose

The MEMCRIMA will track (1) any additional revenues (in the form of volumetric penalties from its customers for consumption over their allocations) generated from Schedule 14.1 ME; (2) its incremental operating expenses incurred after the date Schedule 14.1 ME is activated; (3) any penalties paid to its water wholesalers; and (4) any additional revenues in the form of penalties paid by customers for violating water use restrictions

2. Applicability

The MEMCRIMA will record the operating costs and administration costs associated with the implementing of Schedule No. 14.1-ME in its Region II Customer Service Area. The memorandum account will also track the penalties charges that Central Basin MWD and West Basin MWD imposes on GSWC for exceeding its allocation. Any additional income generated from the implementation of Schedule No. 14.1-ME in the Region II customer service area will also be recorded in this memorandum account.

GSWC shall maintain the MEMCRIMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the MEMCRIMA at the end of each month to record the incremental expenses.
- b. A credit entry shall be made to the MEMCRIMA at the end of each month to record the penalty charges collected.
- c. Interest shall accrue to the MEMCRIMA on a monthly basis by applying a rate equal to one-twelfth of the 3-month non-financial Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

3. Effective Date

The MEMCRIMA shall go into effect on the effective date of Advice Letter 1329-W.

4. Disposition

GSWC shall cease recording costs to the MEMCRIMA once the drought is declared over and all costs have been incurred and recorded. GSWC shall request amortization of the MEMCRIMA balance in its next GRC or other formal proceeding.

ISSUED BY

Date Filed: September 25, 2009

Advice Letter No. 1330-WA

**R. J. SPROWLS**

Effective Date: August 1, 2009

Decision No. \_\_\_\_\_

President

Resolution No. \_\_\_\_\_

**PRELIMINARY STATEMENTS**

**EE. TEMPORARY INTEREST RATE BALANCING ACCOUNT**

Golden State Water Company (GSWC) shall maintain a Temporary Interest Rate Balancing Account (TIRBA) to record the difference in interest expenses between the actual interest cost for long-term debt for debt issued after January 1, 2009, and the interest cost included in the adopted cost of capital for debt issues in 2009 or later.

**Purpose**

The temporary interest rate balancing account shall record the difference in interest expense between the actual interest cost for long-term debt for debt issued after January 1, 2009, and the interest cost included in the adopted cost of capital for debt issues in 2009 or later. This account shall include interest costs from its effective date forward and remain in effect until the next cost of capital proceeding for GSWC, to end the balancing account.

**Applicability**

The TIRBA does not have a rate component and is applicable to all customer service areas.

The TIRBA shall include:

The difference in interest expense between the actual interest cost for long-term debt for debt issued after January 1, 2009, and the interest cost included in the adopted cost of capital for debt issues in 2009 or later.

GSWC shall maintain the TIRBA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the TIRBA at the end of each month to record the expenses discussed above.
- b. Interest shall accrue to the TIRBA on a monthly basis by applying a rate equal to one-twelfth of the 3-month Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

**Effective Date**

The TIRBA shall have an effective May 7, 2009, pursuant to Decision No. 09-05-019.

**Disposition**

Following a reasonableness review of the interest costs actually incurred, GSWC will seek disposition of the costs recorded in the TIRBA in its next Costs of Capital Application or in another proceeding authorized by the Commission to do so.

ISSUED BY

Date Filed: June 8, 2009

Advice Letter No. 1334-W

**R. J. SPROWLS**

Effective Date: May 7, 2009

Decision No. 09-05-019

President

Resolution No. \_\_\_\_\_

**PRELIMINARY STATEMENTS**  
(Continued)

**FF. Region III- Mandatory Conservation Rationing Implementation Memorandum Account (N)**

Golden State Water Company ("GSWC") requests to establish a Mandatory Conservation Rationing Implementation Memorandum Account (R3MCRIMA) in its Region III service territory.

1. Purpose

The R3MCRIMA will track (1) any additional revenues (in the form of volumetric penalties from its customers for consumption over their allocations) generated from Schedule 14.1; (2) its incremental operating expenses incurred after the date Schedule 14.1 is activated; (3) any penalties paid to its water wholesalers; and (4) any additional revenues in the form of penalties paid by customers for violating water use restrictions in each Customer Service Area within its Region III service territory, via subaccounts, upon activation of a schedule 14.1 for that particular Customer Service Area.

2. Applicability

The R3MCRIMA will record the operating costs and administration costs associated with the implementing of a Schedule No. 14.1 in the Customer Service Areas in the Region III service territory. The memorandum account will also track the penalties charges that MWD imposes on GSWC for exceeding its allocation. Any additional income generated from the implementation of Schedule No. 14.1 in any of the Customer Service Areas in the Region III service territory will also be recorded in the memorandum account. GSWC shall maintain a separate memo account (sub account) for each Customer Service Area that activates a Schedule 14.1.

GSWC shall maintain each R3MCRIMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the R3MCRIMA at the end of each month to record the incremental expenses.
- b. A credit entry shall be made to the R3MCRIMA at the end of each month to record the penalty charges collected.
- c. Interest shall accrue to the R3MCRIMA on a monthly basis by applying a rate equal to one-twelfth of the 3-month non-financial Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

3. Effective Date

The R3MCRIMA shall go into effect on the effective date of Advice Letter 1335-WA.

4. Disposition

GSWC shall cease recording costs to the R3MCRIMA once the drought is declared over and all costs have been incurred and recorded. GSWC shall request amortization of the R3MCRIMA balance in its next GRC or other formal proceeding. (N)

ISSUED BY

Date Filed: September 1, 2009

Advice Letter No. 1335-WA

**R. J. SPROWLS**

Effective Date: August 1, 2009

Decision No. \_\_\_\_\_

President

Resolution No. \_\_\_\_\_

**PRELIMINARY STATEMENTS**

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**GG. Water Cost of Capital Adjustment Mechanism**

(N)

Golden State Water Company ("GSWC") requests to establish a Water Cost of Capital Adjustment Mechanism.

1. Purpose

The purpose of the Water Cost of Capital Adjustment Mechanism is to provide an automatic adjustment, up or down, to Golden State Water's adopted return on equity for 2009 (and thus its overall rate of return on rate base for 2009) for calendar years 2010 and 2011 only if there is a positive or negative difference of more than 100 basis points between the then current 12-month October 1 through September 30 average Moody's utility bond rates and a benchmark.

2. Applicability

All Regions of Golden State Water Company.

3. GSWC shall maintain the Water Cost of Capital Adjustment Mechanism as follows:

- a. For 2010, Golden State Water's initial benchmark is equal to the average interest rate of Moody's Aa utility bonds if it has an AA or A credit-rating or higher, or Moody's Baa utility bonds if Golden State Water has a BBB+ credit-rating or lower for the period October 1, 2007 to September 30, 2008. The subsequent October 1 through September 30 average shall be based on the foregoing parameters.
- b. If the 100 basis point "deadband" (a range of change in interest rates that may occur without automatically triggering a change in return on equities) is exceeded, Golden State Water's return on equity will be adjusted by one-half of the difference between the benchmark and the October 1 to September 30 average
- c. In any year where the 12-month October through September average of Moody's utility bond rates triggers an automatic return on equity adjustment, that average becomes the new benchmark
- d. If the 100 basis point "deadband" is exceeded, Golden State Water will file a Tier 2 advice letter by October 15 that updates return on equity and related rate adjustments to become effective on January 1 of the following year. The advice letter would also update long-term debt and preferred stock costs to reflect actual August month-end embedded costs in that year and forecasted interest rates for variable long-term debt and new long-term debt and preferred stock scheduled to be issued.
- e. Golden State Water's capital structure, as adopted for base year 2009, shall not be adjusted.
- f. Workpapers outlining the calculations relating to the change in return on equity, long-term debt costs, preferred stock costs and resulting changes in rates to become effective on the following January 1 are required to accompany the advice letter

4. Effective Date

The Water Cost of Capital Adjustment Mechanism shall go into effect on the effective date of Advice Letter 134X-W.

(N)

ISSUED BY

Date Filed: September 11, 2009

Advice Letter No. 1342-W

**R. J. SPROWLS**

Effective Date: September 2, 2009

Decision No. 09-07-051

President

Resolution No. \_\_\_\_\_

(N)

**PRELIMINARY STATEMENTS**

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**HH. General Rate Case Memorandum Account**

Golden State Water Company ("GSWC") requests to establish a General Rate Case Memorandum Account (GRCMA).

**1. Purpose**

The purpose of the GRCMA is to track all incremental expenses incurred by GSWC for the preparation and processing of the 2010 Region I General Rate Case.

**2. Applicability**

The GRCMA does not have a rate component.

GSWC shall maintain the GRCMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the GRCMA at the end of each month to record the expenses discussed above.
- b. Interest shall accrue to the GRCMA on a monthly basis by applying a rate equal to one-twelfth of the 3-month Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

**3. Effective Date**

The GRCMA shall go into effect on the effective date of Advice Letter 1351-W.

**4. Disposition**

Disposition of amounts recorded in the GRCMA shall be determined in a subsequent regulatory proceeding, as authorized by the Commission.

(N)

ISSUED BY

**R. J. SPROWLS**

President

Date Filed: September 10, 2010

Effective Date: August 25, 2010

Resolution No. \_\_\_\_\_

Advice Letter No. 1351-WA

Decision No. \_\_\_\_\_

(N)

**PRELIMINARY STATEMENTS**

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**JJ. RII and RIII Interim Rates Memorandum Account**

Golden State Water Company (GSWC) requests to establish a RII and RIII Interim Rates Memorandum Account (R2R3IRMA).

1. **Purpose**

The purpose of the R2R3IRMA is to track the difference between the interim rates and the final Rates adopted by the Commission in A.08-07-010.

2. **Applicability**

The R2R3IRMA is applicable over the entirety of GSWC's Regions II and III.

3. **Effective Date**

The R2R3IRMA shall go into effect on January 1, 2010.

4. **Disposition**

GSWC requests that the R2R3IRMA remain in effect until a decision is reached in GSWC's A.08-07-010 and the new rates are implemented at which time GSWC will file a Tier 3 Advice Letter requesting amortization of the balance.

(N)

ISSUED BY

**R. J. SPROWLS**

President

Date Filed: December 30, 2009

Effective Date: January 1, 2010

Resolution No. \_\_\_\_\_

Advice Letter No. 1372-WA

Decision No. \_\_\_\_\_

(N)

**PRELIMINARY STATEMENTS**  
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**KK. Operational Energy Efficiency Program Memorandum Account ("OEEPMA")**

1. **Purpose**

The purpose of the OEEPMA is to track the Operational Energy Efficiency project costs incurred by Golden State Water Company and OEEP-related reimbursements from Pacific Gas and Electric and Southern California Edison Company.

2. **Applicability**

The OEEPMA applies to the Bay Point District and the Region III Service Territory

3. **Accounting Procedure**

The OEEPMA does not have a rate component.

Golden State Water Company shall track all OEEP-related costs paid by Golden State Water Company, including expenses, capital investment (including carrying costs associated with capital investment), outside contractors/consultants, software, and Administrative support. OEEP-administrative support is shared equally between California -American Water Company, California Water Service, Golden State Water Company, and San Jose Water Company. Golden State Water Company shall also track any reimbursement for OEEP-related costs paid by Pacific Gas and Electric Company or Southern California Edison Company.

GSWC shall maintain the OEEPMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the OEEPMA at the end of each month to record the expenses discussed above.
- b. A credit entry shall be made to the OEEPMA at the end of each month to record the OEEP -related reimbursements from Pacific Gas and Electric and Southern California Edison.
- c. Interest shall accrue to the OEEPMA on a monthly basis by applying a rate equal to one-twelfth of the 3-month Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

4. **Effective Date**

The OEEPMA effective date shall be November 21, 2008.

5. **Disposition**

Disposition of amounts recorded in the OEEPMA shall be determined in GSWC's next General Rate Case.

(N)

ISSUED BY

Date Filed: June 11, 2010

Advice Letter No. 1399-WA

**R. J. SPROWLS**

Effective Date: November 21, 2008

Decision No. 10-04-030

President

Resolution No. \_\_\_\_\_

**PRELIMINARY STATEMENTS**

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**LL. ORACLE TECHNICAL SUPPORT COSTS MEMORANDUM ACCOUNT**

(N)

**1. Purpose**

Golden State Water Company's ("GSWC") Oracle Technical Support Costs Memorandum Account ("OTSCMA") shall have a dual purpose: 1) to track the Oracle Technical support costs associated with the maintenance of GSWC's new Customer Care and Billing ("CC&B") system for the years 2011 and 2012 and 2) track the reduction in operation and maintenance expenses and the technical support costs for GSWC's current Customer Information System ("CIS").

**2. Applicability**

The OTSCMA does not have a rate component.

The OTSCMA shall include:

The annual maintenance costs of GSWC's new Customer Care and Billing ("CC&B") system for the years 2011 and 2012 as well as the reduction in operation and maintenance expenses and the technical support costs of GSWC's current CIS for the same period, during the transition.

GSWC shall maintain the OTSCMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the OTSCMA at the end of each month to record the expenses discussed above.
- b. A credit entry shall be made to the OTSCMA at the end of each month to record the reduction in operation and maintenance expenses and the technical support costs of GSWC's current CIS discussed above.
- b. Interest shall accrue to the OTSCMA on a monthly basis by applying a rate equal to one-twelfth of the 3-month Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

**3. Effective Date**

The OTSCMA shall go into effect on the date that the CC&B system goes live, expected sometime during the first quarter of 2011.

**4. Disposition**

Disposition of amounts recorded in the OTSCMA shall be determined in GSWC's 2011 General Rate Case for establishing 2013 test year expense levels.

(N)

ISSUED BY

Date Filed: September 22, 2010

Advice Letter No. 1412-WA

**R. J. SPROWLS**

Effective Date: September 24, 2010

Decision No. \_\_\_\_\_

President

Resolution No. \_\_\_\_\_

PRELIMINARY STATEMENTS  
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**MM. OMEGA CHEMICAL CORPORATION SUPERFUND SITE MEMORANDUM ACCOUNT (N)**

**Purpose**

The purpose of the Omega Chemical Corporation Superfund Site Memorandum Account ("OCCSSMA") is to track record incremental administrative costs GSWC anticipates incurring in connection with the investigation of the Environmental Protection Agency into the groundwater contamination which begun at the Omega Chemical Corporation in Whittier, California.

**The OCCSSMA shall include:**

All costs working with the EPA and other public agencies on water supply quality; preparation for and attend meetings; to review and respond to board and committee memoranda, costs to attend meetings with stakeholders including California Department of Public Health, Central Basin Municipal Water District, area cities and water rights holders, local elected officials, water board members, utilities and industry; provide public testimony as needed; legal and policy research to defend and support positions to protect ratepayers; identify, analyze, and propose statutory changes to defend and support positions to protect ratepayers; attend meetings and hearings, including committee meetings, as needed; employment of experts to defend against any legislation that has a negative impact on rates; prepare and attending related Technical Work Group; review and respond to various settlement approaches; draft pleadings and other court documents; costs to prepare for and attend meetings with potential litigants, costs to conduct discovery and file motions and employment of expert witnesses.

GSWC shall maintain the OCCSSMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the OCCSSMA at the end of each month to record the expenses.
- b. A debit entry equal to interest on the balance in the account at the beginning of the month and half the balance after the above entry (a.) , at a rate equal to one-twelfth of the rate on three month Commercial Paper, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

The OCCSSMA shall go into effect on the effective date of Advice Letter 1413-W.

Disposition of amounts recorded in the OCCSSMA shall be determined in a regulatory proceeding authorized by the Commission.

(N)

ISSUED BY

Date Filed \_\_\_\_\_

Advice Letter No. 1413-W

**R.J. SPROWLS**

Effective Date \_\_\_\_\_

Decision No. \_\_\_\_\_

President

Resolution No. \_\_\_\_\_

**PRELIMINARY STATEMENTS**

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**NN. REGION I 2011 RATE CASE MEMORANDUM ACCOUNT**

(N)

**1. Purpose**

The Region I 2011 Rate Case Memorandum Account ("RIRCMA") will track the revenue differential between interim rates and the final rates, subject to refund, adopted in GSWC's Region I General Rate Case Application No. 10-01-009. The RIRCMA is established pursuant to the Administrative Law Judge's August 23, 2010 Ruling.

**2. Applicability**

The RIRCMA does not have a rate component.

The RIRCMA shall include:

The monthly revenue differential between interim rates and final rates adopted in Application No. 10-01-009, beginning on January 1, 2011 in GSWC's Region I (which is comprised of the Arden Cordova, Bay Point, Clearlake, Los Osos, Ojai, Santa Maria and Simi Valley Customer Service Areas).

*Please note: If interim rates are not made effective in any of the Region I customer service areas, then the RIRCMA will not go into effect.*

GSWC shall maintain the RIRCMA by making entries at the end of each month as follows:

- a. A debit /credit entry shall be made to the RIRCMA at the end of each month to record the revenue differential discussed above.
- b. Interest shall accrue to the RIRCMA on a monthly basis by applying a rate equal to one-twelfth of the 3-month Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

**3. Effective Date**

The RIRCMA shall go into effect on January 1, 2011, if Interim Rates are implemented in any or all of the Region I customer service areas.

**4. Disposition**

Disposition of amounts recorded in the RIRCMA shall be determined in a subsequent Regulatory proceeding, as authorized by the Commission.

(N)

ISSUED BY

**R. J. SPROWLS**

President

Date Filed: September 1, 2010

Effective Date: January 1, 2011

Resolution No. \_\_\_\_\_

Advice Letter No. 1414-W

Decision No. \_\_\_\_\_

**PRELIMINARY STATEMENTS**

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**OO. PENSION AND BENEFITS BALANCING ACCOUNT**

(N)

Golden State Water Company (GSWC) shall maintain a Pension and Benefits Balancing Account (PBBA) to track the monthly expenses difference between authorized and actual pension Costs based on Accounting Standard Codification 715-10 ("ASC 715-10"), Compensation - Retirement Benefits (formerly known as FAS 87).

1. Purpose

The purpose of the Pension and Benefits Balancing Account (PBBA) is to track the difference between:

- 1) Pension costs authorized in rates by the Commission
- 2) Pension expenses based on ASC 715-10

2. Applicability

The PBBA does not have a rate component.

The PBBA shall include:

The calculated monthly expense difference of the adopted pension costs and actual pension costs based on ASC 715-10.

GSWC shall maintain the PBBA by making entries at the end of each month as follows:

- a. An entry shall be made to the PBBA at the end of each month to record the expenses discussed above.
- b. Interest shall accrue to the PBBA on a monthly basis by applying a rate equal to one-twelfth of the 3-month Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

3. Effective Date

The PBBA shall go into effect on January 1, 2010.

4. Disposition

Disposition of amounts recorded in the PBBA shall be made in compliance with General Order 96 B.

(N)

**PRELIMINARY STATEMENTS**

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**PP. WELL STUDY BALANCING ACCOUNT**

(N)

1. Purpose

Golden State Water Company (GSWC) shall maintain a Well Study Balancing Account (WSBA) to recover \$375,000 for the costs of hiring a consultant to conduct a comprehensive well replacement study. The costs of the well replacement study will be expensed in the year the study is conducted.

2. Applicability

The WSBA does not have a rate component.

GSWC shall maintain the WSBA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the WSBA at the end of each month to record the expenses discussed above.
- b. The WSBA shall accrue interest on a monthly basis by applying a rate equal to one-twelfth of the 3-month Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

3. Effective Date

The WSBA shall have the effective date of January 1, 2010.

4. Disposition

GSWC shall seek recovery of the costs recorded in the WSBA in its next General Rate Case application for its general office. These costs will be subject to a prudence review.

(N)

ISSUED BY

**R. J. SPROWLS**

President

Date Filed: December 1, 2010

Effective Date: January 1, 2010

Resolution No. \_\_\_\_\_

Advice Letter No. 1420-W

Decision No. 10-11-035

PRELIMINARY STATEMENTS  
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**QQ. BARSTOW WATER ALERT MEMORANDUM ACCOUNT**

(N)

**Purpose**

The purpose of the Barstow Water Alert Memorandum Account (BWAMA) is to track unanticipated incremental administrative expenses related to the Do Not Drink Water Alert that GSWC issued in its Barstow Customer Service Area on November 19, 2010.

**The BWAMA shall include:**

All incremental administrative expenses working with the customers and businesses that were impacted negatively and financially by the Water Alert, claims for reimbursements, costs to determine claim validity, and costs to employ legal and technical experts to investigate and remedy the contamination, customer credits, and bottled water costs.

GSWC shall maintain the BWAMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the BWAMA at the end of each month to record the expenses.
- b. A debit entry equal to interest on the balance in the account at the beginning of the month and half the balance after the above entry (a.) , at a rate equal to one-twelfth of the rate on three month Commercial Paper, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

The BWAMA shall go into effect on the effective date of Advice Letter 1426-W.

Disposition of amounts recorded in the BWAMA shall be determined in a regulatory proceeding authorized by the Commission.

(N)

ISSUED BY

**R.J. SPROWLS**

President

Date Filed: December 22, 2010

Effective Date: January 21, 2011

Resolution No. \_\_\_\_\_

Advice Letter No. 1426-W

Decision No. \_\_\_\_\_

PRELIMINARY STATEMENTS

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**RR. PRESSURE REDUCING VALVE MODERNIZATION AND ENERGY RECOVERY (N)**  
**MEMORANDUM ACCOUNT**

Purpose

The purpose of the Pressure Reducing Valve Modernization and Energy Recovery Memorandum Account ("PRVMA") is to track all of the costs associated with the Research, Development and Demonstration of GSWC's electrical regenerative flow control valve project.

The PRVMA shall include:

All PRVMA-related costs paid by GSWC including but not limited to, the cost of engineering and design, equipment, installation, outside contractors, software, administrative support, legal consulting and evaluation, measurement, and verification ("EM&V").

GSWC shall maintain the PRVMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the PRVMA at the end of each month to record the expenses.
- b. A debit entry equal to interest on the balance in the account at the beginning of the month and half the balance after the above entry (a.) , at a rate equal to one-twelfth of the rate on three month Commercial Paper, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

The PRVMA shall have the effective date of December 7, 2010.

GSWC may seek rate recovery of the PRVMA in its next general rate case or through a tier 3 advice letter filing. (N)

ISSUED BY

Date Filed: December 22, 2010

Advice Letter No. 1427-W

**R.J. SPROWLS**

Effective Date: December 7, 2010

Decision No. \_\_\_\_\_

President

Resolution No. W-4854

PRELIMINARY STATEMENTS

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**SS. GENERAL OFFICE MAINTENANCE MEMORANDUM ACCOUNT**

(N)

1. Purpose

The purpose of the General Office Maintenance Memorandum Account ("GOMMA") is to track costs related to remedial efforts to renovate and repair recently detected damage caused by water and moisture to GSWC's General Office. These efforts include the exploration, detection, and examination for water and moisture damage as well as all necessary renovation and repair of the damage throughout GSWC's General Office building located in San Dimas, California.

The GOMMA shall include all GOMMA-related costs paid by GSWC including, but not limited to, costs for contractors to explore, detect, and examine for water and moisture damage in the General Office; costs to renovate and repair the building due to the damage; costs for the monitoring and maintenance of the renovated and repaired areas of the building; and costs to temporarily relocate employees, if it is determined to be necessary, until the required renovations and repairs are completed.

GSWC will apply (credit) any GOMMA-related insurance payments it receives to the GOMMA.

2. Applicability

The GOMMA does not have a rate component.

GSWC shall maintain the GOMMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the GOMMA at the end of each month to record the expenses.
- b. A debit entry equal to interest on the balance in the account at the beginning of the month and half the balance after the above entry (a.), at a rate equal to one-twelfth of the rate on three month Commercial Paper, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

3. Effective Date

The GOMMA shall have the effective date of December 9, 2010.

4. Disposition

GSWC may seek rate recovery of the GOMMA in its next general rate case or through a Tier 3 advice letter filing.

(N)

ISSUED BY

**R.J. SPROWLS**

President

Date Filed: February 2, 2011

Effective Date: May 5, 2011

Resolution No. \_\_\_\_\_

Advice Letter No. 1435-W

Decision No. \_\_\_\_\_

PRELIMINARY STATEMENTS

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**TT. LOS OSOS GROUNDWATER ADJUDICATION MEMORANDUM ACCOUNT**

(N)

1. **Purpose:** The purpose of the Los Osos Groundwater Adjudication Memorandum Account ("LOAMA") is to track legal expenses related to the adjudication of the Los Osos groundwater, pursuant to the Settlement Agreement in D. 10-12-059.

The LOAMA shall include all outside services including consultants and legal associated with Legal expenses related to the Los Osos Groundwater Interlocutory Stipulated Judgment process in order to draft, negotiate, implement and defend the establishment of a Basin Management Plan - Prepare for and attend meetings and hearings including committee meetings necessary to draft and/or negotiate a Basin Management Plan (e.g., finance committee, water resources, administrative, interagency and other committees); Review and respond to board and committee memoranda; Meetings with stakeholders re: same including area cities and water rights holders, local elected officials, water board members, utilities and industry; Provide public testimony as needed; Legal and policy research to defend and support positions to protect ratepayers; Identify, analyze, and propose statutory changes to defend and support positions to protect ratepayers; attend meetings and hearings, including committee meetings, as needed; Legal research and other actions including employment of experts to defend against any legislation that has a negative impact on rates, water supply reliability or water rights affecting ratepayers; Review and preparation of legal documents; Review and preparation of technical documents; Meetings with technical staff and experts; Review and respond to various settlement approaches; Legal research to support and defend positions; Policy research to support and defend positions; Legal research re: potential litigation to protect ratepayers' long term storage costs; Identify, analyze, defend and propose statutory changes to protect long term storage benefits to ratepayers; Draft pleadings and other court documents re: same; Prepare for and attend meetings with potential litigants; Conduct discovery and file motions; Employ expert witnesses as necessary.

The legal expenses recorded in the LOAMA is capped at \$400,000 for 2011 and 2012 (\$200,000 for 2011 and \$200,000 for 2012).

2. **Applicability:** The LOAMA does not have a rate component.

GSWC shall maintain the LOAMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the LOAMA at the end of each month to record the expenses.
  - b. A debit entry equal to interest on the balance in the account at the beginning of the month and half the balance after the above entry (a.) , at a rate equal to one-twelfth of the rate on three month Commercial Paper, as reported in the Federal Reserve Statistical Release, H.15 or its successor.
3. **Effective Date:** The LOAMA shall have the effective date of January 1, 2011.
  4. **Disposition:** GSWC may seek rate recovery of costs recorded in the LOAMA in its next general rate case or other formal proceeding with the California Public Utilities Commission. (N)

ISSUED BY

Date Filed: March 30, 2011

Advice Letter No. 1441-W

**R. J. SPROWLS**

Effective Date: January 1, 2011

Decision No. 10-12-059

President

Resolution No. \_\_\_\_\_

PRELIMINARY STATEMENTS

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**UU. SANTA MARIA STEELHEAD RECOVERY PLAN MEMORANDUM ACCOUNT (N)**

1. **Purpose**

The purpose of the Santa Maria Steelhead Recovery Plan Memorandum Account ("SMSRPMA") is to track legal expenses related to the Steelhead Salmon Recovery Plan, pursuant to the Settlement Agreement in D. 10-12-059.

The SMSRPMA shall include all outside services including consultants and legal associated with Legal expenses related to the Santa Maria Steelhead Recovery Plan- Prepare for and attend meetings and hearings including committee (e.g., finance committee, water resources, administrative, interagency and other committees); Review and respond to board and committee memoranda; Meetings with stakeholders re: same including area cities and water rights holders, local elected officials, water board members, utilities and industry; Provide public testimony as needed; Legal and policy research to defend and support positions to protect ratepayers; Identify, analyze, and propose statutory changes to defend and support positions to protect ratepayers; attend meetings and hearings, including committee meetings, as needed; Legal research and other actions including employment of experts to defend against any legislation that has a negative impact on rates, water supply reliability or water rights affecting ratepayers; Review and preparation of legal documents; Review and preparation of technical documents; Meetings with technical staff and experts; Review and respond to various settlement approaches; Legal research to support and defend positions; Policy research to support and defend positions; Legal research re: potential litigation to protect ratepayers' long term storage costs; Identify, analyze, defend and propose statutory changes to protect long term storage benefits to ratepayers; Draft pleadings and other court documents re: same; Prepare for and attend meetings with potential litigants; Conduct discovery and file motions; Employ expert witnesses as necessary.

2. **Applicability**

The SMSRPMA does not have a rate component.

GSWC shall maintain the SMSRPMA making entries at the end of each month as follows:

- a. A debit entry shall be made to the SMSRPMA at the end of each month to record the expenses.
- b. A debit entry equal to interest on the balance in the account at the beginning of the month and half the balance after the above entry (a.) , at a rate equal to one-twelfth of the rate on three month Commercial Paper, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

3. **Effective Date**

The SMSRPMA shall have the effective date of January 1, 2011.

4. **Disposition**

GSWC may seek rate recovery of costs recorded in the SMSRPMA in its next general rate case or other formal proceeding with the California Public Utilities Commission. (N)

ISSUED BY

Date Filed: March 30, 2011

Advice Letter No. 1442-W

**R.J. SPROWLS**

Effective Date: January 1, 2011

Decision No. \_\_\_\_\_

President

Resolution No. \_\_\_\_\_

**PRELIMINARY STATEMENTS**

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**VV. RANDALL-BOLD BALANCING ACCOUNT**

(N)

1. Purpose

Golden State Water Company (GSWC) shall maintain a Randall-Bold Balancing Account (RBBA) to record the \$4.7 million payment for use of the Randall-Bold Water Treatment Plant and the engineering construction cost index escalation as required by Section 1.2.2 of the executed Asset Lease Agreement between GSWC and the Contra Costa Water District.

2. Applicability

The RBBA does not have a rate component.

GSWC shall maintain the RBBA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the RBBA at the end of each month to record the expenses discussed above.
- b. The RBBA shall accrue interest on a monthly basis by applying a rate equal to one-twelfth of the 3-month Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

3. Effective Date

The RBBA shall have the effective date of June 9, 2011.

4. Disposition

GSWC shall seek recovery of amounts recorded in the RBBA in a regulatory proceeding authorized by the Commission.

(N)

ISSUED BY

**R. J. SPROWLS**

President

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Effective Date: June 9, 2011

Resolution No. W-4877

Advice Letter No. 1450-W

Decision No. \_\_\_\_\_

**PRELIMINARY STATEMENTS**

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(N)

**WW. 2010 TAX ACT MEMORANDUM ACCOUNT**

**1. Purpose**

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 Memorandum Account ("2010 Tax Act Memorandum Account") is established in accordance with CPUC Resolution L-411A. The purpose of this memorandum account is to track on a CPUC-jurisdictional, revenue requirement basis the impacts of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 ("The New Tax Law") not otherwise reflected in rates from April 14, 2011 until the effective date of the revenue requirement changes in the Utility's next General Rate Case ("Memo Account Period"). The Utility shall record in this memorandum account: (a) decreases in revenue requirement resulting from increases in deferred tax reserve; (b) offsets to reflect additional costs or expenses, not otherwise recovered in rates, incurred as a result of additional utility infrastructure investment enabled by the bonus depreciation provisions of the New Tax Law, to the extent allowed by Ordering Paragraph 5 of Resolution L-411A; and (c) amounts to reflect the impacts of any decrease in Section 199 deductions resulting from bonus depreciation taken, changes in working cash resulting from the New Tax Law, and any other direct changes in revenue requirement resulting from the Utility's taking advantage of the New Tax Law.

The 2010 Tax Act Memorandum Account shall be used in determining whether any future rate adjustment is appropriate to reflect impacts of the New Tax Law during the Memo Account Period. This memorandum account shall not be used to recover any net revenue requirement increase recorded during the Memorandum Account Period. If, at the end of the Memo Account Period, this memorandum account reflects a net revenue requirement increase, the memorandum account shall be terminated without any impact on rates.

The following limits allowed by Ordering Paragraph 5 of Resolution L-411A apply to the additional needed utility infrastructure investments that may be tracked in the 2010 Tax Act Memorandum Account: (a) the property in which the investment is made must be Commission-jurisdictional; (b) the property in which the investment is made must itself be eligible for bonus depreciation; (c) at least 90% of the investment must have a tax depreciable life of at least 15 years, and any remaining investments must be ancillary to such investment; and (d) if a utility determines that it would be best to invest in something other than the typical types of projects included in general rate case type applications, the utility must file an application or advice letter seeking Commission approval in order to record the revenue requirement impact of that investment as an offset in the memorandum account.

(N)

(Continued)

**PRELIMINARY STATEMENTS**

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**WW. 2010 TAX ACT MEMORANDUM ACCOUNT (Continued)**

(N)

2. **Applicability**

The 2010 Tax Act Memorandum Account applies to each ratemaking area within GSWC's service areas tracking the revenue requirement impact of each change resulting from the New Tax Law

3. **Memorandum Account Entries**

The entries made to the 2010 Tax Act Memorandum Account may include the following:

- a. Debit for decrease in revenue requirement resulting from increases in deferred tax reserve.
- b. Credit for increase in revenue requirement resulting from the impact of any decrease in Section 199 deductions resulting from bonus depreciation taken.
- c. Credit or debit for increase or decrease, respectively, in revenue requirement resulting from impact of any calculations in the calculation of working cash resulting from the New Tax Law or from bonus depreciation taken.
- d. Credit or debit for increase or decrease, respectively, in revenue requirement resulting from any other direct change in revenue requirement resulting from the Utility's taking advantage of the New Tax Law.
- e. Credit for increase in revenue requirement resulting from additional Utility infrastructure investment consistent with the limitations set forth by Ordering Paragraph 5 of Resolution L-411A and detailed in Purpose of this Preliminary Statement.
- f. Balances in the Tax Memorandum Account will accrue interest at the 90-day commercial paper rate.

This is a memorandum account that is to be tracked "off balance sheet," and no general ledger entries are required at this time. At such time that the Commission rules that the Utility is required to make an adjustment to its revenue requirement and rates, as a result of the tax impacts not otherwise reflected in rates, the Utility will make the appropriate entries in its general ledger.

4. **Disposition**

In the Utility's next General Rate Case (GRC), or at such other time as ordered in that GRC decision, the Commission shall address the disposition of amounts (a) recorded in the 2010 Tax Act Memorandum Account and (b) forecast for the remainder of the Memo Account Period, and may cause any net revenue requirement decrease to be reflected in prospective rates.

(N)