

Preliminary Statement
(continued)

N. WATER CONSERVATION EXPENSES ONE-WAY BALANCING ACCOUNT (WCBA)

1. PURPOSE:

The purpose of the WCBA is to ensure ratepayers fund conservation programs consistent with the adopted settlement approved by the Commission in D.08-07-008.

2. APPLICABILITY

The WCBA covers the 2008-2009 test year and the 2009-2010 escalation year for the applicable districts. The WCBA applies to the Chico, East Los Angeles, Livermore, Los Altos, Mid-Peninsula, Salinas, Stockton, and Visalia districts.

3. DEFINITIONS:

Authorized Expense is the total conservation expense included in rates in the 2008-2009 test year for each district.

Allowed Carryover is a portion of the Authorized Expense that may be used in the 2009-2010 test year if it is not used in the 2008-2009 test year.

Minimum Expense is the authorized amount less any allowed carryover.

Recorded Expense is the amount spent in a period on conservation programs.

Realized Carryover is the amount of unspent 2008-2009 conservation program funding included in the 2009-2010 Authorized Expense.

4. DEFINED QUANTITIES:

Title			
District	<u>Authorized Expense</u>	<u>Allowed Carryover</u>	<u>Minimum Expense</u>
Chico	\$137,373	\$35,271	\$102,102
East LA	\$195,838	\$50,283	\$145,555
Livermore	\$119,396	\$30,656	\$88,740
Los Altos	\$177,463	\$45,565	\$131,898
Mid Pen	\$245,871	\$63,129	\$182,742
Salinas	\$180,168	\$46,259	\$133,909
Stockton	\$268,382	\$68,909	\$199,473
Visalia	\$155,509	\$39,928	\$115,581

5. ACCOUNTING PROCEDURE

a. Cal Water shall keep detailed records of Recorded Expenses.

Program expenses are recorded in the month corresponding with the date of service or delivery and should show detail to ensure the Commission can determine:

1. Best Management Practices (BMP) category for the expense
2. Total cost, unit cost, number of units, and general charges for each expense
3. Detail of customers targeted for the conse

b. At the end of the 2008-2009 test year, Cal Water will calculate the sum of the monthly Recorded Expenses for each district.

1. In the event this sum is less than the Minimum Expense, Cal Water will record in the WCBA the difference between total Recorded Expense and the Minimum Expense. In this instance, the Realized Carryover is equal to the Allowed Carryover.
2. If the sum of the Recorded Expense is greater than the Authorized Expense, Cal Water will not make an entry in the WCBA. In this instance, the Realized Carryover is Zero.
3. If the sum of the Recorded Expense is between the Minimum Expense and the Authorized expense, Cal Water will not make an entry in the WCBA. In this instance, the Realized Carryover is the difference between the Recorded Expense and the Authorized Expense.

(continued)

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 1875

THOMAS F. SMEGAL

Date Filed August 11, 2008

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5. c. Cal Water will add the Authorized Expense and the Realized Carryover to determine the 2009-2010 Adjusted Authorized Expense. At the end of the 2009-2010 test year, Cal Water will calculate the sum of the monthly Recorded Expenses for each district. In the event this sum is less than the 2009-2010 Adjusted Authorized Expense, Cal Water will record in the WCBA the difference between total Recorded Expenses and the Adjusted Authorized Expense.
6. Cal Water shall apply interest to any amount recorded in section 5.b or 5.c at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15. or its successor until a final Commission determination on rate recovery for the amount.
7. Any amounts recorded in the WCBA will be amortized in the next Cal Water general rate case.

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