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Preliminary Statement  
 (continued)

Q. A.08-05-019 Memorandum Account

1. Purpose: Cal Water has signed a contract with HomeServe USA to provide services. In the Administrative Law Judge's Ruling Directing Establishment of a Memorandum Account for the Requested Residual Affiliate Transaction of May 11, 2009 (ALJ Ruling), Cal Water was directed to "track all revenues received from utility customers for the subject services and all costs, incurred since the inception of the service in a memorandum account." As modified by the settlement agreement adopted in D.13-02-026, Cal Water is to track costs and revenues under the "excess capacity" rules adopted in D.10-10-019 and subsequent decisions beginning July 1, 2011. ( T )
2. Applicability: This memorandum account is applicable to all territories served.
3. Inception: This memorandum account tracks costs and revenues related to the contract between HomeServe USA and Cal Water from July 1, 2011 until rates adopted in A.12-07-007 become effective. ( T )
4. Accounting:
  - A. In order to allow a future proper accounting of costs, Cal Water should perform as follows:<sup>1</sup> ( T )
    1. The following entries should be tracked in the memorandum account:
      - a. All revenue received by Cal Water from utility customers for the subject services, including (beginning November 2012) the annual payment from HomeServe USA.<sup>2</sup>
      - b. All incremental costs required to perform the services offered under the contract.
    - B. Cal Water should record and retain enough detail in all accounting entries for the Commission to determine reasonableness of the expense or revenue.
    - C. Each tracked component should separately track monthly interest expense calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 90-day) published in the Federal Reserve Statistical Release (debit or credit). ( T )
  5. Rate Component: Disposition of this memorandum account shall be made according to any subsequent decision in A.08-05-019.

Notes:

1. Cal Water will retain any information necessary to calculate these amounts in connection with the proceeding. However, any calculation is subject to review by the Commission and is dependent on the final order in this matter. Cal Water will calculate this entry based upon retained information when and if the Commission deems it necessary. ( T )
2. The memorandum account should also track that revenue received indirectly from customer payments through HomeServe USA. ( T )

(continued)