

Preliminary Statement  
(continued)

AN. Infrastructure Memorandum Account (IMA)

(N)

1. PURPOSE:

The purpose of the Infrastructure Memorandum Account ("IMA") is to comply with Public Utilities Code Section 790 regarding net proceeds from the sale of utility property as interpreted by D.06-05-041 and D.07-09-021. To automatically be included in the utility's infrastructure investment upon which it is authorized to earn a return, water companies are required to reinvest the net proceeds from the sale of real property in utility infrastructure within eight (8) years of the calendar year in which they were received.

The funds in the IMA must be used as Cal Water's primary source of capital for investment in utility infrastructure (D.06-05-041, Ordering Paragraph 17). This is a written policy that is explicitly incorporated into the company's internal procedures.

2. APPLICABILITY:

The IMA applies to any real property that was at any time included in rate base, is no longer used and useful for utility purposes, and is subsequently sold to any party, including a corporate affiliate (D.06-05-041, Ordering Paragraph 17).

3. RATES:

The IMA has no rate component.

4. ACCOUNTING PROCEDURE:

In the first quarter of each year, the following entries will be made for all real property described in (2) that was sold in the previous calendar year.

a. For each property, a debit or credit entry equal to the gain on the sale of the property and the transaction cost ("net proceeds"). Supporting information will include property description and location, district or service area, date of sale, amount of gain and any transaction costs.

b. Infrastructure investment:

(i) Using the Uniform System of Accounts ("USOA"), Cal Water will identify the dollar amounts expended on utility infrastructure during the prior calendar year, by account, up to the dollar amount in (a), above. The balance in the IMA will become zero.

(ii) If the dollar amount in (a), above, exceeds all of the proceeds expended on utility infrastructure during the previous year, Cal Water will carry forward into the following year the difference between (a), above, and the utility infrastructure invested. If this provision is triggered, interest will be applied in the IMA until the dollar amount of utility infrastructure invested exceeds the dollar amount in (a).

c. Any IMA carryover amounts not reinvested within eight (8) years (of the calendar year in which the net proceeds were realized) will be credited to ratepayers through a Tier 3 advice letter filing.

(N)

(To be inserted by utility)

Advice Letter No.           
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Decision No.           
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Issued by

          
PAUL G. TOWNSLEY  
NAME  
          
Vice President  
TITLE

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

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