

Preliminary Statement
(continued)

AU. PHASE 1 SITES RESERVOIR MEMORANDUM ACCOUNT (PHASE 1 SITES MA) (N)

1. **PURPOSE:** The purpose of the Phase 1 Sites Reservoir Memorandum Account (Phase 1 Sites MA) is to track the costs for payments made to the Sites Project Authority (Authority) for Phase 1 of the proposed "Sites Reservoir," an off-stream project located on the west side of the Sacramento Valley (approximately 10 miles west of Maxwell), currently projected to yield up to 500K acre-feet of water per year. The Phase 1 Sites MA is capped at the estimated \$1.05 million maximum payment for Phase 1.

In Phase 1 of the project, state grant funding under Proposition 1 (approved in 2014) is being pursued and draft environmental impact studies are being prepared. There are five phases of the project, with the construction of facilities beginning in 2022 under Phase 4. The project is anticipated to be operational in 2029.

In the event of an unacceptable or adverse treatment of Cal Water's request for rate recovery or a determination by Cal Water that a Commission decision will not be timely rendered and final prior to the end of Phase 1, Cal Water may (1) withdraw and would be reimbursed by the Authority for its past payments at the time of this determination or (2) arrange for the transfer of its share in the project to a party or parties eligible to participate, in either case consistent with the April 28, 2017 letter from James C. Watson, PE, General Manager, Sites Project Authority, to Robert J. Kuta, Vice-President, Engineering, California Water Service Company.

2. **APPLICABILITY:** The Phase 1 Sites MA may be applicable to all regulated operations in California. A request for recovery of amounts in this account will identify the proposed ratemaking areas from which recovery is being sought, and will be accompanied by a justification for the proposal.

3. **RATES:** The Phase 1 Sites MA currently has no rate component.

4. **ACCOUNTING PROCEDURE:** The entries made to the Phase 1 Sites MA may include the following. These entries are not cumulative and are tracked in order to preserve the range of potential regulatory outcomes the Commission may elect if recovery is granted.

Expenditure Entries

a. Amounts equal to invoices paid to the Sites Reservoir Authority for Phase 1 of the project, up to a cap of \$1.05 million.

Revenue Requirement Entries

b. Amounts equal to the revenue requirement of each expenditure recorded in (a.) as if it were shareholder-funded (including return on investment, income taxes, ad valorem tax, depreciation, other taxes and fees).

Interest

c. Interest calculated based on the average balance in each segment of the account multiplied by 1/12th of the most recent month's interest rate on Commercial Paper (prime, 90-day), published in Federal Reserve Statistical Release H-15.

5. **REGULATORY PROCEDURE:**

Requests for recovery of any balance in the Phase 1 Sites MA shall be made in a general rate case or a separate application. Requests for recovery shall include a showing that the costs requested for recovery are not included in rates.

(N)