

Preliminary Statement
(continued)

AC. Pressure Reducing Valve Modernization and Energy Recovery Memorandum Account (PRVMA)

1. Purpose:

The purpose of the PRVMA is to record all the costs associated with the research, development and demonstration of the electrical regenerative flow control valve projects.

2. Applicability:

The PRVMA applies to Cal Water's advice letters for its electrical regenerative flow valve projects.

3. Accounting Procedure:

Cal Water shall record monthly all PRVMA related costs paid by Cal Water, but not limited to, the cost of engineering and design, equipment, installation, outside contractors, software, administrative support, legal consulting and evaluation, measurement, and verification.

a. A debit entry will be created each month to record costs.

b. Monthly interest expense is calculated on the accumulated balance in 3.a. calculated at 1/12 of the most recent month's interest rate on Commercial Paper, published in the Federal Reserve Statistical Release H.15 or its successor.

4. Rate Recovery:

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

5. Effective Date:

The PRVMA is effective as of December 7, 2010.

(To be inserted by utility)

Advice Letter No. 2018

Decision No. -

Issued by

THOMAS F. SMEGAL

NAME

Vice President

TITLE

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

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