

Preliminary Statement
(continued)

AX. Lead Service Line Memorandum Account (LSL MA) (N)

1. PURPOSE: The purpose of the memorandum account is to track the incremental costs associated with studying and potentially replacing lead service lines for the benefit of Cal Water’s customers. This account is to comply with Senate Bill No. 1398 (SB 1398) which intends to ensure lead water pipes are identified and replaced as promptly as practicable; that public water systems evaluate water service lines of unidentified composition and take appropriate actions to ascertain whether they contain lead; and manage the replacement of service lines on a schedule that is commensurate with the risks and costs involved.

2. APPLICABILITY: The LSL 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.

The LSL MA shall include, but will not be limited to:

- a. Project management costs
- b. Consultant expenses for record research, statistical analysis, and replacement plan development
- c. Contractor costs for field data collection
- d. Construction costs related to the replacement of identified services

3. RATES: The memorandum account currently has no rate component.

4. ACCOUNTING PROCEDURE: The entries made to the memorandum account 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. Cal Water shall record all LSL MA related costs including but not limited to, the cost of engineering and design, permitting, equipment, installation, outside contractors, administrative support, compliance review, and verification.

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:

Upon completion of the study, the study may be considered used and useful for utility services. Requests for recovery of any balance in the memorandum account shall be made in a general rate case, separate application, or Tier 3 advice letter. Requests for recovery shall include a showing that the costs requested for recovery are not included in rates.

(N)

(To be inserted by utility)

Advice Letter No. 2331
Decision No.

Issued by

PAUL G. TOWNSLEY
Name

Vice President
Title

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

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