

PRELIMINARY STATEMENT
(Continued)

Sheet 1

AV. MPWSP Phase 1 Project Cost Memorandum Account

1. PURPOSE:

The purpose of the Project Cost Memorandum Account is to record and track the capital cost associated with the desalination plant and the Remaining California-American Water Only Facilities (Phase 1 project) as approved in D.18-09-017. The PCMA will track capital costs and the allocated portion of the Construction Funding Charge in separate subaccounts for the desalination plant and remaining California-American Water-Only facilities, in order to calculate the Allowance for Funds Used During Construction (AFUDC). AFUDC will be calculated monthly based on the capital costs net of the construction funding charge collections. The PCMA will also track and record the revenue requirement and related financing costs for any portion of Phase 1 Costs placed in service prior to the Commission approving the costs to be included in plant in service and recovered in base rates. Per D.22-12-001, the CPUC authorized establishment of a subaccount for the purposes of tracking Pure Water Monterey ("PWM") Expansion Project costs within this memorandum account.

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2. APPLICABILITY:

The Monterey Service Area, which includes Monterey Main, Hidden Hills, Bishop and Ryan Ranch.

3. ACCOUNTING PROCEDURE:

California-American Water Company shall maintain the PCMA by making entries at the end of each month as follows:

- a. A debit entry shall be made to the PCMA at the end of each month to record the incremental project/capital cost. Separate subaccounts will record costs for the desalination plant and remaining California-American Water-Only facilities.
- b. A credit entry shall be made to the PCMA at the end of each month to record collections of the Construction Funding Charge allocated by subaccount to the desalination plant and remaining California-American Water-Only facilities.
- c. A credit/debit entry shall be made to the PCMA for AFUDC based on the net balance.
- d. A debit entry shall be made to the PCMA at the end of each month to record any revenue requirement including financing costs that may occur in between the time the cost are placed In-Service and prior to the Commission approval of base rates.
- e. Interest shall accrue monthly to the PCMA on any recorded revenue requirement from item 3.d. above on a monthly basis by applying a rate equal to one-twelfth of the 3-month non-financial Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

4. EFFECTIVE DATE:

The PCMA shall go into effect on December 31, 2018, per D.18-09-17.

5. RATEMAKING PROCEDURE:

In accordance with D.18-09-017 a tier 2 Advice Letter will be filed that will reflect Revenue Requirement to put into rates associated with the PCMA.

(Continued)

(TO BE INSERTED BY UTILITY)		ISSUED BY	(TO BE INSERTED BY C.P.U.C.)	
Advice	1401	J. T. LINAM	Date Filed	<u>12/23/2022</u>
Decision		DIRECTOR - Rates & Regulatory	Effective	<u>12/23/2022</u>
			Resolution	_____