V. San Clemente Dam Balancing Account

1. PURPOSE:

The purpose of the San Clemente Dam Balancing Account is to track all the authorized and actual expenditures as they are incurred for the Carmel River Reroute and San Clemente Dam Removal Project as authorized in D.12-06-040 and AL 955, effective July 1, 2012. This includes, but it not limited to, incurred pre-construction costs, permitting, compliance review and preliminary engineering costs, construction costs, interim dam and environmental safety measures, post-construction mitigation measures, and other application costs. California American Water was granted authority to continue this account in Decision (D.) 21-11-018. (N) (N)

2. APPLICABILITY:

Applicable to the Monterey Service Area which includes Monterey Main, Bishop, Hidden Hills, and Ryan Ranch

3. ACCOUNTING PROCEDURE:

California American Water was granted authority to establish a balancing account which will track actual expenditures for the project as they are incurred. The construction cost cap is $49 million, excluding the pre-construction costs and its related interest, interim dam safety and environmental costs for annual drawdowns and post- construction mitigation costs. The actual balance of the balancing account, less accumulated amortization and associated deferred taxes, will be authorized to earn a return based on the currently authorized cost of capital. The balance at that point will remain in the regulatory asset/balancing account and will continue to be collected over the remainder of the twenty year collection period using an updated levelized revenue requirement based on the ending net regulatory asset/balancing account balance, the current authorized cost of capital, the remaining years in the twenty year recovery period, projected deferred taxes, uncollectible account expenses and taxes. The levelized revenue requirement set in base rates may still need to be adjusted periodically for changes in authorized cost of capital or for other items that may be delayed into the account such as the tax benefits of the land donation.

a. A debit entry will be made for project costs and their associated cost of capital.

b. A credit will be made for the portion of collection that represents amortization of project costs. Amortization is calculated subtracting cost of capital, taxes and uncollectable accounts expenses from the total surcharges billed.

4. RATEMAKING PROCEDURE:

Decision 12-06-040 authorized Carmel River Reroute and San Clemente Dam Removal Project costs to be included in the San Clemente Dam balancing account. Per Decision (D.) 18-12-021, California American Water will recover the regulatory asset / San Clemente Dam balancing account in base rates over a 20-year period starting January 1, 2018. Current authorized recovery of $6,245,448 per annum is included in base rates. (T)

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