

PRELIMINARY STATEMENT  
(Continued)

Sheet 1

**AQ. Two-Way Tax Memorandum Account**

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California-American Water Company requests to establish a Two-Way Tax Memorandum Account (TMA)

**1. PURPOSE:**

The purpose of the TMA is to record and track any revenue differences resulting from the differences in the income tax expense authorized in the GRC proceedings and the tax expenses incurred. This account will have separate subaccounts detailing the differences between tax expenses authorized and tax expenses incurred, specifically resulting from: (1) Net revenue changes; (2) Mandatory tax law change, tax accounting changes, tax procedural changes, or tax policy changes; and (3) Elective tax law changes, tax accounting changes, tax procedural changes, or tax policy changes. It will also track Excess Protected ADIT until the end of 2018 and bonus depreciation for the limited assets where eligibility for bonus depreciation is uncertain because construction for them began or a contract for them was signed before the September 27, 2017.

**2. APPLICABILITY:**

All areas serviced by California-American Water

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**3. ACCOUNTING PROCEDURE:**

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

a. A debit or credit entry will be created for:

1. Net Revenue changes
2. Mandatory tax law change, tax accounting changes, tax procedural changes, or tax policy changes
3. Elective tax law changes, tax accounting changes, tax procedural changes, or tax policy changes.

**4. EFFECTIVE DATE:**

The TMA shall go into effect on February 22, 2019, per D.18-12-021

**5. RATEMAKING PROCEDURE:**

In accordance with D.18-12-021, there is currently no ratemaking component to the memorandum account.

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(TO BE INSERTED BY UTILITY)  
Advice 1280-A  
Decision

ISSUED BY  
J. T. LINAM  
DIRECTOR - Rates & Regulatory

(TO BE INSERTED BY C.P.U.C.)  
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Resolution \_\_\_\_\_