

PRELIMINARY STATEMENT

(Continued)

18. VEGETATION MANAGEMENT**A. Purpose**

Liberty Utilities (CalPeco Electric) LLC ("Liberty") shall maintain the Vegetation Management Balancing Account ("VMBA") to record the difference between the 3-year revenue requirement of \$7.569 million for the vegetation management program expense the Commission authorized for Liberty in its General Rate Case (GRC) Decision 16-12-024 and Liberty's recorded vegetation management program expense. Liberty shall collect \$7.569 million, to recover the costs Liberty incurs during calendar years 2016, 2017, and 2018 for its vegetation management program.

B. Applicability

The VMBA is applicable to all rate schedules.

C. VMBA Rates

The VMBA rates are as follows:

Residential (\$/kWh)	Commercial (\$/kWh)					
	A-1	A-2	A-3*	PA	SL	OL
0.004347	0.004509	0.004483	N/A	0.005879	0.006348	0.003011

*The A-3 VMBA rate will be collected as an additional \$672.55/month fixed charge from each A-3 customer.

These rates will be listed as a separate line-item on the bill.

D. Accounting Procedures

Liberty shall maintain the VMBA by making entries at the end of each month up to and including December 2018 as follows:

1. A debit entry equal to Liberty's recorded vegetation management program expense for the month;
2. A credit entry of \$210,250.00, equal to the amount adopted in Liberty's GRC Decision for vegetation management expense divided by 36; and

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(Continued)

18. VEGETATION MANAGEMENT (continued)

D. Accounting Procedures (continued)

- 3. Liberty shall apply interest to the average net balance in the VMBA account at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month as reported in the Federal Reserve Statistical Release, H.15, or its successor publication. Accumulated interest will be included in the amount on which interest is accrued, but will be identified as a separate component of the VMBA account.

E. Effective Date

The rates described in Section C and the VMBA are effective January 1, 2017 and will terminate in accordance with Section F.

F. Account Disposition

The VMBA is a one-way balancing account. Liberty in its next General Rate Case application shall include a summary of the entries to the VMBA and a proposal for the disposition of any credit balance in the account. Liberty will close the VMBA upon disposition of any balance in the account.

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