

Preliminary Statement
(continued)

AM. Rate Support Fund Balancing Account (RSF BA) (T)

1. Purpose: The purpose of the Rate Support Fund Balancing Account ("RSFBA") is to track the RSF subsidies (credits) provided to customers in an RSF ratemaking area ("RSF District") defined in Tariff Schedule No. RSF, to track the RSF surcharges collected to fund the Rate Support Fund ("RSF") Program, and to review and adjust the RSF surcharge, if necessary, effective January 1st of each year. (C)

The RSF subsidies tracked in this account provide a discounted quantity rate for the first 10 units of consumption per month on a customer's bill. The quantity rate discount is the difference between the lowest adopted quantity rate in the service area, and an RSF Index Rate (Discounted RSF Quantity Rate). The RSF Index Rate is calculated by applying 150% to Cal Water's system-wide average rate of total residential usage revenues divided by total residential quantity water sales. The amount of the surcharge will be set sufficient to fund the RSF program. (N) (D)

2. Timing and Frequency: An advice letter to report on the status of the RSF surcharge will be filed by October 31st of each year. (C)

3. Annual Surcharge Adjustment: The surcharge may be adjusted to zero out the forecasted balance anticipated to be in the account at the end of the following year. (N) (D)

4. Rate: The rate components of the RSF BA are identified in Tariff Schedule No. RSF. (T)

5. Accounting Procedure: The following entries will be made monthly to the RSF BA: (T)

- a. A debit entry equal to the recorded RSF credits (subsidies) given to customers for service provided under Schedule No. RSF; (N)
- b. A debit entry of \$993,015 for each of the three years in the 2017-2019 rate case cycle to reflect the subsidies that offset the revenue requirements of the former Redwood Valley District service areas of Coast Springs, Lucerne, and Unified; (N)
- c. A credit entry equal to the recorded RSF surcharges collected from all customers (except for LIRA customers in RSF Districts) as provided under Schedule No. RSF; (T)
- d. A monthly debit or credit entry equal to the average balance in each segment of the account multiplied by 1/12t of the most recent month's interest rate on Commercial Paper (prime, 90-day) published in the Federal Reserve Statistical Release H-15. (T)