CALIFORNIA WATER SERVICE COMPANY
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This tariff has been approved by the California Public Utilities Commission and is effective 1/1/2023.

Preliminary Statement BC Page 1 (N)

BC. Drought Response Memorandum Account (DREMA) (N)

1. Purpose: The purpose of the Drought Response Memorandum Account (DREMA) is to track impacts of conservation on quantity rate revenues from water sales for future disposition.

   The utility shall activate either voluntary conservation measures pursuant to Rule 14.1 or mandatory rationing pursuant to Schedule 14.1 before booking revenue shortfalls to the Memorandum Account. Lost revenues associated with reduced sales as a result of activation of either Tariff Rule 14.1 or Schedule 14.1 will be tracked in this Memorandum Account.

2. Applicability: The DREMA is applicable to all quantity rate-related revenues from water sales.

3. Accounting Procedure:
   a. The following entries shall be recorded in the Memorandum Account:
      i. The most recent adopted quantity revenue adjusted for all relevant rate increases
      ii. Recorded quantity revenues for the same time period
      iii. Total net Memorandum Account balance = 3.a.i. minus 3.a.ii.
      iv. A negative balance in the Memorandum Account reflects a utility over-collection to be refunded, while a positive balance in the Memorandum Account reflects a utility under-collection to be recovered.
   b. The utility will record the accumulated Memorandum Account balance by adding its entry in Section 3.a., above, to the prior accumulated balance.
   c. Interest shall accrue 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 balance.
   d. Before seeking recovery of the Memorandum Account balance, if any, the balance shall be reduce by an amount equal to a 20-basis point reduction in the most recently adopted return on equity for the utility. (N)

(Continued)

4. Disposition: Amounts recorded in the Memorandum Account are subject to a reasonableness review in a General Rate Case, or in an appropriate advice letter filing consistent with General Order 96-B and Standard Practices. (N)

5. Sunset Date: The Memorandum Account will remain in effect until the effects of the drought are over. (N)