

Preliminary Statement BD

BD. 2021 GRC Interim Rate Memorandum Account (2021 IRMA)

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1. Purpose

The purpose of the 2021 GRC Interim Rate Memorandum Account (2021 IRMA) is to address any delay in the resolution of Cal Water’s 2021 General Rate Case (Application 21-07-002) past the beginning of the first Test Year, January 1, 2023.

- a. The 2021 IRMA creates a sub-account to track the difference between Interim Rates and Final Rates during the Interim Period.
- b. The 2021 IRMA creates sub-accounts for the Public Purpose Programs and establishes a methodology for the true-up of those accounts.
- c. The 2021 IRMA creates sub-accounts for new balancing accounts that may be authorized in the final decision in A.18-07-001.
- d. The 2021 IRMA is subject to modification or interpretation as needed to carry out the intent of a final decision in A.18-07-001.

2. Definitions

- a. “Interim Rates” are the rates billed during the Interim Period.
- b. “Final Rates” consist of the following components:
  - i. New rates approved in A.21-07-002, and
  - ii. Any offsets (purchased water, pump tax, and rate base offsets) approved by the Commission before Final Rates are implemented.
- c. The “Interim Period” is the period from January 1, 2023 to the day before Final Rates are implemented.
- d. A “True-Up Period” is the period over which customer bills are adjusted to “true up” a balance tracked in the IRMA. The duration of the True-Up Period will be the same number of months that was in the Interim Period (with partial months rounded up or down to a whole month) unless administrative efficiency or fairness dictate otherwise.

3. Applicability

The 2021 IRMA is applicable to all regulated ratemaking (RM) areas in California except Grand Oaks and the Millerton District.

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(To be inserted by utility)	Issued By	(To be inserted by CPUC)
Advice Letter <u>2470</u>	<u>Greg A. Milleman</u>	Date Filed <u>12/27/2022</u>
Decision	<u>Vice President</u>	Effective <u>01/01/2023</u>
		Resolution _____

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4. Methodology

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a. Interim Rate True-Up.

- i. For each RM area, a sub-account in the 2021 IRMA will track the difference between revenue received during the Interim Period, and the revenue that Cal Water would have received had the components of the Final Rates been in effect, according to the effective date approved by the Commission for each component during the Interim Period.
- ii. After the Interim Period, under-collected revenue will be recovered through an Interim Rate Surcharge, and over-collected revenue will be returned through an Interim Rate Credit, to those who are customers during the True-Up Period regardless of whether they were customers during the Interim Period.
- iii. Monthly interest expense calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 90-day), published in the Federal Reserve Statistical Release, will be applied.

b. Additional Interim Sub-Accounts. For each RM area, there will also be sub-accounts representing the following balancing and memorandum accounts as may be authorized by a final decision in A.21-07-002. Estimated debit and credit entries for each sub-account will be recorded in the 2021 IRMA generally consistent with the terms in the identified associated preliminary statements ("prelim."), modified as necessary by the final decision. After a final decision, balances in the sub-accounts will be transferred to existing or new accounts as appropriate.

- i. Customer Assistance Program (CAP) Balancing Account (Prelim. AJ) and Rate Support Fund (RSF) Balancing Account (Prelim. AM)
- ii. Conservation Expense Balancing Account (similar to Prelim. Z4), Pension Cost Balancing Account (similar to Prelim. AA4), and Health Cost Balancing Account (similar to Prelim. AB4)
- iii. Monterey-Style WRAM Balancing Account, Purchased Power Incremental Cost Balancing Account ("ICBA), Purchased Water ICBA, and Pump Tax ICBA (see draft prelims in A.21-07-002)
- iv. Asbestos Litigation Memorandum Account (see A.21-07-002, Att. F)
- v. Palos Verdes Memorandum Account (see A.21-07-002, Att. F)
- vi. Sustainable Groundwater Management Act (see A.21-07-002, Att. F) (Note: creation of this new account is in dispute.)

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4. Methodology (continued)

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c. Public Purpose Program True-Up.

- i. The Interim sub-accounts for CAP and RSF will track the difference between the subsidies provided during the Interim Period due to the public purpose programs, and those that would have been provided due to the programs had the components of the Final Rates been in effect.
- ii. CAP Subsidy True-Up: In RM areas where CAP customers are owed additional CAP bill discounts under Final Rates, the true-up will be implemented through a surcredit during the True-Up Period. There will be no true-up in RM areas where CAP customers received excess CAP subsidies during the Interim Period.
- iii. RSF Subsidy True-Up: If the Kern River Valley District is owed additional RSF subsidies under Final Rates, the true-up will be implemented through a district-wide surcredit during the True-Up Period. There will be no true-up if KRV customers received excess RSF subsidies during the Interim Period. (RSF subsidies in other RM areas are embedded in rates and do not require special treatment during the True-Up Period.)
- iv. Surcredit Applicability: True-up surcredits will only be applied to those who are qualifying customers during the True-Up Period, regardless of whether they were qualifying customers when Interim Rates were in effect.
- v. Program Funding: For the company-wide CAP and RSF surcharges collected to fund the programs during the Interim Period, there will be no true-up, with the exception that true-ups for CAP and RSF surcharges will be applied to customers on the Private Fire Protection tariff (Schedule AA-4) and the Private Fire Hydrant on Private Property tariff (Schedule PV-4A) to reflect the surcharges that would have been collected during the Interim Period.

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5. Disposition

After the Commission adopts a final decision in A.21-07-002, Cal Water will amortize the 2021 IRMA sub-accounts, and for new, approved balancing accounts, effectuate the transfers from sub-accounts to final balancing accounts, through Tier 2 advice letters and in accordance with General Order 96-B.

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(To be inserted by utility)

Advice Letter 2470  
Decision

Issued By

Greg A. Milleman  
Vice President

(To be inserted by CPUC)

Date Filed 12/27/2022  
Effective 01/01/2023  
Resolution \_\_\_\_\_