AB6. Health Cost Balancing Account 6 (HCBA6) (N)

1. PURPOSE
   The purpose of the Health Cost Balancing Account (HCBA6) is to track the difference between the adopted health care expenses (including post-retirement benefits other than pension or PBOB and fees to administer the plans) and the total actual cost incurred as health care expenses. Eighty-five percent (85%) of the reasonable cost difference will be flowed through to customers, and fifteen (15%) of the reasonable cost difference will be at the company's risk. The difference may be either positive or negative depending upon how actual health care expenses compare to those included in rates.

2. APPLICABILITY
   The HCBA6 is effective beginning January 1, 2026, through December 31, 2028, and applies to all ratemaking areas ("districts") and Customer Support Services (General Office). This excludes out-of-state affiliates and unregulated operations expenses.

3. ACCOUNTING PROCEDURE:
   There is no rate component to the HCBA6. Cal Water shall record for future disposition the following entries:

   a. Eighty-five percent (85%) of the difference between the adopted health care expenses and the actual cost incurred as health care expenses will be included in the balancing account, as either a debit or a credit balance depending upon if the actual costs exceed or are less than the amounts adopted in rates. The capitalized portion of health care expenses at the adopted capitalization ratio will be excluded.

   b. Interest shall accrue to the account by applying a rate equal to 1/12th of the most recent month's non-financial Commercial Paper Rate (prime, 90-day), as published in the Federal Reserve Statistical Release H-15 or its successor, to the average balance for each month.

4. DISPOSITION:
   The HCBA6 is recoverable or refundable in a Tier 2 advice letter filing in accordance with General Order 96-B and standard practices or by request in the next general rate case. (N)