

Preliminary Statement

Sheet 1

AZ. 2018 GRC Interim Rate Memorandum Account (2018 IRMA)

1. Purpose

The purpose of the 2018 GRC Interim Rate Memorandum Account (2018 IRMA) is to address any delay in the resolution of Cal Water's 2018 General Rate Case (Application 18-07-001) past the beginning of the first Test Year, January 1, 2020.

- a. The 2018 IRMA creates a sub-account to track the difference between Interim Rates and Final Rates during the Interim Period.
- b. The 2018 IRMA creates sub-accounts for the Public Purpose Programs and establishes a methodology for the true-up of those accounts.
- c. The 2018 IRMA creates sub-accounts for new balancing accounts that may be authorized in the final decision in A.18-07-001.
- d. The 2018 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.18-07-001, and
 - ii. Any offsets (purchased water, pump tax, and rate base offsets) approved by the Commission via advice letter after October 8, 2019 (date of proposed Settlement Agreement) that are not reflected in (i), above.
- c. The "Interim Period" is the period from January 1, 2020 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, unless administrative efficiency or fairness dictate otherwise. The duration of a True-Up Period is the same number of months that was in the Interim Period (with partial months rounded up or down to a whole month).

3. Applicability

The 2018 IRMA is applicable to all regulated ratemaking (RM) areas in California except Grand Oaks.

4. Methodology

a. Interim Rate True-Up.

- i. For each RM area, a sub-account in the 2018 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

(N)

(N)

(continued)

(To be inserted by utility)

Advice Letter 2370

Decision

Issued By

GREG A. MILLEMAN

Vice President

(To be inserted by CPUC)

Date Filed 12/31/2019

Effective 01/01/2020

Resolution

Preliminary Statement

Sheet 2

AZ. 2018 GRC Interim Rate Memorandum Account (2018 IRMA)

in effect, *according to the effective date approved by the Commission for each component* during the Interim Period.

(N)

- 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, over the course of a True-Up 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. Public Purpose Program True-Ups. For each ratemaking area, there will be a sub-account representing the Interim LIRA Balancing Sub-Account (Preliminary Statement AJ) and the Interim RSF Balancing Sub-Account (Preliminary Statement AM). Estimated debit and credit entries for each sub-account will be recorded in the 2018 IRMA consistent with the terms in the existing Preliminary Statements AJ and AM, modified as necessary by the final decision.

- i. For each RM area, the Interim Sub-Accounts will track the difference between the discounts and 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, *according to the effective date approved by the Commission for each component* during the Interim Period.

The true-up of these discounts and subsidies will result in true-up surcredits, surcharges, and discount adjustments (as described below) that will be applied only to qualifying customers who are in the relevant public purpose program during each billing period of the True-Up Period, regardless of whether they were in those programs when Interim Rates were in effect.

After the True-Up Period, residual balances in the sub-accounts may be transferred to the associated existing LIRA and RSF accounts.

- ii. For the company-wide LIRA and RSF surcharges in effect to fund the programs during the Interim Period, there will be no true-up. The amounts for these surcharges tracked in the LIRA and RSF sub-accounts will be

(N)

(continued)

(To be inserted by utility)
Advice Letter 2370
Decision

Issued By
GREG A. MILLEMAN
Vice President

(To be inserted by CPUC)
Date Filed 12/31/2019
Effective 01/01/2020
Resolution

Preliminary Statement

Sheet 3

AZ. 2018 GRC Interim Rate Memorandum Account (2018 IRMA)

transferred to the associated existing company-wide account.

(N)

iii. LIRA True-Up: In RM areas where LIRA customers are owed additional LIRA bill discounts under Final Rates, the true-up will be implemented through a surcredit during the True-Up Period. In RM areas where LIRA customers received excess LIRA bill discounts under Interim Rates, the true-up will be implemented during the True-Up Period through an adjustment (a decrease) to future monthly LIRA bill discounts.

iv. RSF True-Up: In the Bay Area Region, where all customers receive RSF subsidies embedded in Interim Rates but will not receive RSF subsidies embedded in Final Rates, customers will have received excess RSF subsidies during the Interim Period. The true-up will be implemented through an additional region-wide RSF surcharge during the True-Up Period.

In the Dixon and Willows Districts, where customers did not receive RSF subsidies embedded in Interim Rates, but all customers will begin receiving RSF subsidies embedded in Final Rates, customers will be owed new RSF subsidies that will be implemented through a district-wide surcredit during the True-Up Period.

In the Kern River Valley District, all customers receive RSF bill discounts under Interim Rates and will continue to receive RSF bill discounts under Final Rates. If the district is owed additional RSF bill discounts during the True-Up Period, customers will receive a district-wide surcredit. If the district received excess RSF bill discounts during the Interim Period, the true-up will be implemented through an adjustment (a decrease) to future monthly RSF bill discounts.

c. New Balancing Accounts. For each ratemaking area, there will be a sub-account representing each of the new balancing accounts listed below that may be authorized by a decision in A.18-07-001. Estimated debit and credit entries for each sub-account will be recorded in the 2018 IRMA generally consistent with the terms in existing Preliminary Statements Z3, AA3, and AB3, modified as necessary by the final decision. If an account is authorized in a final decision, the balance in the associated sub-account will be transferred to the newly authorized account.

i. Interim [New] Conservation Expense Balancing Sub-Account (Proposed

(N)

(continued)

(To be inserted by utility)
Advice Letter 2370
Decision

Issued By
GREG A. MILLEMAN
Vice President

(To be inserted by CPUC)
Date Filed 12/31/2019
Effective 01/01/2020
Resolution

Preliminary Statement

Sheet 4

AZ. 2018 GRC Interim Rate Memorandum Account (2018 IRMA)

Preliminary Statement Z4);

- ii. Interim [New] Pension Cost Balancing Sub-Account (Proposed Preliminary Statement AA4), and;*
- iii. Interim [New] Health Cost Balancing Sub-Account (Proposed Preliminary Statement AB4).*

*Authorization for these balancing accounts is disputed in A.18-07-001.

- d. Rate Base Offset for the Palos Verdes Peninsula Water Reliability Project (PVPWRP). In the Settlement, the parties agreed to extend the sunset on the Tier 2 advice letter treatment for the projects that make up the PVPWRP, increase the cost caps, and allow a rate increase only for Palos Verdes customers (which excludes Antelope Valley customers) 30 days after the advice letter filing, subject to refund.

If Cal Water puts the PVPWRP into service and complies with the requirements of the Settlement, and Final Rates have not been implemented by April 1, 2020, Cal Water may file a Tier 2 advice letter, and increase rates for Palos Verdes customers up to the Settlement cost caps on a date that is at least 30 days after the Tier 2 advice letter filing, subject to refund.

5. Disposition

After the Commission adopts a final decision in A.18-07-001, Cal Water will amortize the 2018 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.

(N)

(N)

(continued)

(To be inserted by utility)	Issued By	(To be inserted by CPUC)
Advice Letter <u>2370</u>	<u>GREG A. MILLEMAN</u>	Date Filed <u>12/31/2019</u>
Decision	<u>Vice President</u>	Effective <u>01/01/2020</u>
		Resolution _____