

Preliminary Statement BO

BO. 2024 GRC Interim Rate Memorandum Account (2024 IRMA)

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1. Purpose

The purpose of the 2024 GRC Interim Rate Memorandum Account (2024 IRMA) is to address any delay in the resolution of Cal Water’s 2024 General Rate Case (Application 24-07-003) past the beginning of the first Test Year, January 1, 2026.

- a. The 2024 IRMA creates a sub-account to track the difference between Interim Rates and Final Rates during the Interim Period.
- b. The 2024 IRMA creates sub-accounts for the Public Purpose Programs and establishes a methodology for the true-up of those accounts.
- c. The 2024 IRMA creates sub-accounts for new balancing accounts that may be authorized in A.24-07-003.
- d. The 2024 IRMA is subject to modification or interpretation as needed to carry out the intent of a final decision in A.24-07-003.

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.24-07-003, 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, 2026 to the day before Final Rates are implemented.
- d. The “True-Up Period” is the period over which customer bills are adjusted to “true up” balances 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 2024 IRMA is applicable to all regulated ratemaking (RM) areas in California except Grand Oaks.

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	<u>Rates and Regulatory Affairs</u>	Resolution _____

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4. Methodology

a. Interim Rate True-Up.

- i. For each RM area, a sub-account in the 2024 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 (based on the effective dates approved 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, applied 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 in A.24-07-003. Estimated debit and credit entries for each sub-account will be recorded in the 2024 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. For the 2026-2028 rate case period, a Conservation Expense Balancing Account (CEBA), a Pension Cost Balancing Account (PCBA), and a Health Cost Balancing Account (HCBA). (Note: components of the PCBA and creation of the HCBA are in dispute.)

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4. Methodology (continued)

b. Additional Interim Sub-Accounts (continued)

- iii. If the Monterey-Style WRAM is continued, the Monterey-Style WRAM Balancing Account, Purchased Power Incremental Cost Balancing Account ("ICBA"), Purchased Water ICBA, and Pump Tax ICBA. If full decoupling is approved, the Safe Infrastructure Balancing Account (SIBA) and the Supply Cost Balancing Account (SCBA). (Note: whether the M-WRAM or full decoupling should be approved is in dispute.)
- iv. Liability Insurance Balancing Account. (Note: creation of this new account is in dispute.)
- v. Contaminant Remediation Memorandum Account. (Note: creation of this new account is in dispute.)

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 credit 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 netted against the Interim Rate True-Up balance for the district. If KRV customers received excess RSF subsidies during the Interim Period, the excess subsidies will not be subject to true-up (surcharges will not be applied to collect excess subsidies). For other RM areas subsidized by the RSF, the RSF subsidies are embedded in rates and do not require special treatment during the True-Up Period.

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4. Methodology (continued)

c. Public Purpose Program True-Up (continued)

- iv. CAP and RSF Credit Applicability: True-up credits 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. CAP and RSF Funding: For the company-wide CAP and RSF surcharges collected to fund the programs during the Interim Period, there will be no true-up. The CAP and RSF surcharges will be updated going forward, however, using the methodologies described in their respective preliminary statements (Prelim. AJ and Prelim. AM) (with appropriate adjustments to the timing specified in sections 2 and 3 of each preliminary statement) via Tier 1 advice letters.

5. Disposition

After the Commission adopts a final decision in A.24-07-003, Cal Water will amortize the 2024 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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