BP. Liability Insurance Balancing Account (LIBA) (N)

1. PURPOSE: The purpose of the Liability Insurance Balancing Account (LIBA) is to track the difference between adopted and actual third-party premium expenses for general liability, excess liability, and umbrella insurance policies. The LIBA shall not include any internal administrative expenses, self-insurance reserves, or other cost categories that do not represent payments of third-party insurance premiums.

   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 liability premium expenses compare to those included in rates

2. APPLICABILITY: The LIBA is effective beginning January 1, 2026, through December 31, 2028, and applies to all Class A regulated areas.

3. ACCOUNTING PROCEDURE: Cal Water shall record for future disposition the following entries:
   a. Eighty-five percent (85%) of the difference between the adopted and actual cost incurred for third-party premium expenses for general liability, excess liability, and umbrella insurance policies 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.
   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: At the end of the three-year period, Cal Water shall submit a Tier 1 advice letter to amortize the balance in the account subject to reasonableness review and approval by the Commission.

(N)