

Preliminary Statement Z5

Z5. Conservation Expense One-Way Balancing Account 5 (CEBA5)

(N)

1. PURPOSE:

The purpose of the CEBA5 is to ensure customers fund only conservation programs consistent with the Commission’s decision in Cal Water’s 2021 General Rate Case. The account will track the difference between recorded expenses and authorized expenses, and refund to customers amounts included in rates that were not spent during the three-year authorization period.

2. APPLICABILITY:

The CEBA5 covers years 2023 through 2025 for all ratemaking areas ("RMA") included in 2021 General Rate Case.

3. ACCOUNTING PROCEDURE:

The following entries will be recorded monthly to each RMA’s CEBA5.

- a. The average annual authorized amount approved in D.24-03-042 will be booked on a monthly level based on the spread of revenue approved by the Commission;
- b. Reimbursements from grants provided to offset conservation expenses;
- c. Recorded conservation expenses including properly accounted-for expense accruals;
- d. The difference between authorized expenses and grants, and recorded expenses (Item 3a. minus Item 3b., minus Item 3c.);
- e. Monthly interest expense calculated on the accumulated balance in Item 3h. for the prior month plus 1/2 of the current monthly balance shown in Item 3d. calculated at 1/12 of the most recent month’s interest rate on Commercial Paper, published in the Federal Reserve Statistical Release H.15 or its successor;
- f. The sum of the current and all prior monthly entries in Item 3e., above;
- g. The sum of the current and all prior monthly entries in Item 3d., above;
- h. The sum of Item 3f. and Item 3g.

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Advice Letter <u>2518</u>	<u>Greg Milleman</u>	Date Filed _____
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(N)

4. RATEMAKING PROCEDURE:

- a. Each district's authorized conservation expense has three internal spending caps. Before requesting amortization in rates, Cal Water shall apply these internal spending caps to the totals in Item 3c. and adjust from recorded expense any amounts which exceed categorical limits. Cal Water shall reflect the adjustment in its final calculation of Item 3h. for each district.
- b. If the total amount recorded in Item 3h. for any district as of December 31, 2025 is a positive number (meaning accumulated expenditures are less than the three-year authorization), Cal Water shall file an advice letter to refund this amount to customers.
- c. If the total amount recorded in Item 3h. as of December 31, 2025 for any district is a negative number (meaning the accumulated expenditures exceed the three-year authorization), the balance shall not be collected.

5. TERMINATION OF THE ACCOUNT

The CEBA5 for each applicable district shall terminate on December 31, 2025 or when the credit described in Item 4.b is completed, whichever is later.

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