

Preliminary Statement

Z4. Conservation Expense One-Way Balancing Account 4 (CEBA4)

(N)

1. Purpose

The purpose of the CEBA4 is to ensure ratepayers fund only conservation programs consistent with the adopted settlement approved by the Commission in D.20-12-007. The account will track the difference between recorded expenses and authorized expenses and refund to customers amounts included in rates which were not spent during the three-year authorization period.

2. Applicability

The CEBA4 covers years 2020 through 2022 for all ratemaking areas ("districts") included in Application 18-07-001.

3. Accounting Procedure:

The following entries will be recorded monthly to each district's CEBA4.

- a. The average annual authorized amount shown on page 25 of the 2018 GRC Settlement Agreement (attached to D.20-12-007 as Attachment 1) will be booked on a monthly level based on the spread of revenue adopted in Cal Water's Preliminary Statement M;
- 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 ((3.a. plus 3.b.) minus 3.c.);
- e. Monthly interest expense calculated on the accumulated balance in 3.h. for the prior month plus 1/2 of the current monthly balance shown in 3.d. 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 3.e., above;
- g. The sum of the current and all prior monthly entries in 3.d., above;
- h. The sum of 3.f. and 3.g.

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| | | Resolution _____ |

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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 3.c. and adjust from recorded expense any amounts which exceed categorical limits. Cal Water shall reflect the adjustment in its final calculation of 3.h. for each district.
- b. If the total amount recorded in section 3.h. for any district as of December 31, 2022 is a positive number (meaning accumulated expenditures are less than the three-year authorization), Cal Water shall file an advice letter by March 31, 2023 to refund this amount to ratepayers. This refund should be made as a one-time conservation credit unless the average credit per customer exceeds 50% of the adopted monthly service charge for a residential 5/8 X 3/4-inch meter, in which case the credit should be made over a 12- month period.
- c. If the total amount recorded in section 3.h. as of December 31, 2022 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 CEBA4 for each applicable district shall terminate on December 31, 2022 or when the credit described in 4.b is completed, whichever is later.

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(End)

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