

Docket	:	<u>A.24-07-003</u>
Exhibit Number	:	<u>Cal Adv #</u>
Commissioner	:	<u>Matthew Baker</u>
Administrative Law Judge	:	<u>Alberto Rosas</u>
Public Advocates Office	:	
Witness	:	<u>Kerrie Evans</u>



PUBLIC ADVOCATES OFFICE
CALIFORNIA PUBLIC UTILITIES COMMISSION

**REPORT ON BALANCING
AND MEMORANDUM ACCOUNTS,
SPECIAL REQUESTS #8, #9, AND #10**

California Water Service Company
General Rate Case

Application 24-07-003

San Francisco, California
January 28th, 2025

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1 **MEMORANDUM**

2 The Public Advocates Office at the California Public Utilities Commission
3 (Cal Advocates) examined requests and data presented by California Water Service
4 Company (Cal Water) in Application (A.) 24-07-003 (Application) to provide the
5 California Public Utilities Commission (Commission) with recommendations that
6 represent the interests of Cal Water’s ratepayers for safe and reliable service at the lowest
7 cost.

8 This Report is prepared by Kerrie Evans. Edward Scher is Cal Advocates’ project
9 lead for this proceeding. Syreeta Gibbs is the oversight Program & Project Supervisor,
10 and Emily Fisher and Megan Delaporta are the legal counsels.

11 Although every effort was made to comprehensively review, analyze, and provide
12 the Commission with recommendations on each ratemaking and policy aspect of the
13 requests presented in the Application, the absence from Cal Advocates’ testimony of any
14 particular issue does not constitute its endorsement or acceptance of the underlying
15 request, or the methodology or policy position supporting the request.

1 listed in AL 2521 were amortized in AL 2530-A.⁸ The balances as of December 31,
 2 2023, and June 30, 2024, are shown in Tables 1-1 and 1-2:

3 **Table 1-1: Balancing Account Balances as of December 31, 2023, and June 30, 2024⁹**

Prelim	Balancing Account (BA)	2023 Year End	6/30/24	
G	Monterey-Style Water Revenue Adjustment Mechanism (M-WRAM)	\$17,881,245	\$39,270,806	
M	Water Revenue Adjustment Mechanism/Modified Cost (WRAM/MCBA)	\$64,159,899	\$6,324,149	
S	Water Cost of Capital Mechanism (WCCM)	n/a	n/a	
T	Lucerne BA (LCBA):	(\$3,477,343)	(\$3,347,410)	
Z4	Conservation Expense One-Way BA (CEBA4)	(\$2,243,764)	\$21,545	
Z5	Conservation Expense One-Way BA (CEBA5)	(\$871,498)	(\$1,077,186)	
AJ	Customer Assistance Program (Low-Income Ratepayer Assistance) (CAP BA)	\$2,459,279	\$7,109,543	
AM	Rate Support Fund (RSF BA)	(\$2,115,558)	\$2,905,559	
AP	General District (District BAs)	\$609,730	\$2,905,559	\$210,548 ¹⁰
AA3	Pension Cost (PCBA3)	\$1,978,129	\$0	
AA4	Pension Cost (PCBA4)	\$10,981,538	\$4,821,160	
AA5	Pension Cost (PCBA5)	(\$8,972,401)	(\$12,642,187)	
AB3	Health Cost (HCBA3)	\$0	\$0	
AB4	Health Cost (HCBA4)	(\$8,678,188)	(\$1,675,631)	
AB5	Health Cost (HCBA5)	(\$2,591,538)	(\$3,022,919)	
BF	Drinking Water Fees	<u>\$1,334,220</u>	<u>\$1,653,180</u>	
BH	Purchased Water Incremental Cost BA (Water ICBA)	(\$7,105,866)	(\$11,236,664)	
BI	Pump Tax Incremental Cost BA (Pump Tax ICBA)	\$88,926	\$150,245	
BJ	Purchased Power Incremental Cost BA (Power ICBA)	\$358,623	\$1,920,782	
BN	2021 GRC Capital One-Way BA (21GRC COBA) ¹¹	\$0	“To be calculated” ¹²	

⁸ CEBA3: \$13,243; Old Interim BAMA (no PS): \$47,178; Drought DRAM (PS AL1): \$340,142; Cost of Capital & Tax Cuts and Jobs Act of 2017 (COC&TCJA) (PS AW-AV): \$163,528 all transferred to PS AP, Dist. BA.

⁹ Cal Water Response to Data Request (DR) KKE-003, Attachment 1 – BAMA Re Table.

¹⁰ Amount granted for amortization in AL 2530-A. In AL 2521, the Dist BA recovery request was \$7,897,494. In AL 2530, General District BA recovery included five of the nine accounts requested for recovery in AL 2521. The remaining accounts rejected in AL 2521 are not included in Table 1-1.

¹¹ Established by AL2518 approved by Resolution W-5284, December 19, 2024.

¹² “To be calculated” per Cal Water’s Response to Data Request (DR) KKE-003, Attachment 1 – BAMA.

1 **Table 1-2: Memorandum Account Balances December 31, 2023, and June 30, 2024¹³**

Prelim	Memorandum Account (MA)	2023 Year End	Balance 6/30/24
W	TCP Litigation (TCP MA)	\$3,689,000	\$3,689,000
AY	Public Safety Power Shutoff (PSPS MA)	\$4,342,469	\$4,812,692
AZ	2018 GRC Interim Rate	\$4,581,000	\$4,301,516
BA	PFAS	\$2,508,037	\$3,206,414
BC	Drought Response	\$to be calculated	TIER 3
BD	2021 GRC Interim Rate Memo Account	\$0	\$88,597,644
BE	Lead and Copper Rule	\$123,000	\$289,882
AI	Chromium-6 (CR6 MA)	\$1,812,437	\$1,812,437
BK	Conservation Regulation (CRMA)	\$0	\$0
AL2	Drought (DRMA2)	\$1,651,000	\$1,758,266
AN	Infrastructure Act (Infra MA)	n/a	n/a
AO	Water Contamination Litigation (WCL MA)	\$0	\$0
AS	Asbestos Litigation (ALMA)	\$304,593	\$304,593
AT	School Lead Testing (SLT MA)	\$0	\$0
AU	Phase 1 Sites Reservoir (Phase 1 Sites MA)	\$664,000	\$664,000
AX	Lead Service Line (LSL MA)	\$293,318	\$293,318
BL	Groundwater Sustainability GSMA)	\$0	\$0
BM	Palos Verdes Pipeline (PVPMA)	\$0	\$5,590,239

2
3 Calculations for total outstanding balancing and memorandum account balances
4 do not include the Advice Letter 2521 amortization requests. Totals for listed balancing
5 accounts do not include requests in AL 2530-A.

¹³ Attachment 1-3, Cal Water Response to DR KKE-003, Attachment 1 – BAMA Table.

1 SR #8 requests to amortize five balancing and three memorandum accounts.¹⁴ The
2 requested total dollar recovery for all five balancing accounts cannot be determined
3 because Cal Water has not requested amortization for four of these accounts until the
4 beginning of 2026.¹⁵

5 Cal Water’s General District BA shows a surcharge balance of \$441,528,¹⁶ and its
6 Drinking Water Fee Balancing Account (DWFBA) shows a surcharge (requested in rates)
7 balance of \$1,332,802.¹⁷ For these two accounts, the total requested surcharges amount
8 to \$1,774,330. However, Cal Water does not request a defined dollar recovery but
9 instead requests approval to amortize a DWFBA balance amount to be determined on Cal
10 Water’s preferred timeframe via Tier 1 advice letter. As discussed later in this Report,
11 this request is inconsistent with Commission rules for the recovery of balancing accounts.

12 **Drinking Water Fee Balancing Account (DWFBA)**

13 The DWFBA tracks the difference between the actual fees charged by the
14 California State Water Resources Control Board (SWRCB) and the fees authorized in
15 rates.¹⁸ Cal Water requests to amortize the balance in rates as part of the revenue
16 requirement.¹⁹ Similar to other balancing accounts, the DWFBA started as a
17 memorandum account.²⁰ The SWRCB drinking water fees increased on September 22,

¹⁴ Cal Water Testimony Book 3 at 3, 8, and 15 (discussing balancing accounts requested for amortization in SR No. 8). Conservation Expense Balancing Account (CEBA 5); Pension Cost Balancing Account (PCBA 5); Healthcare Cost Balancing Account (HCBA 5); General District Balancing Account (District BAs); Catastrophic Event Memorandum Account (CEMA); Asbestos Litigation Memorandum Account (ALMA); Public Safety Shut-Off Memorandum Account (PSPS MA); Drinking Water Fees Balancing Account (DWFBA)

¹⁵ These five accounts are the CEBA5, PCBA5, HCBA5, District BA, and DWFBA. Cal Water Testimony Book 3 at 8.

¹⁶ Attachment 1-2, Cal Water Response to DR KKE-002, Attachment Q.1.iv(A) “District BAs (12.31.2023),” Tab “Summary.”

¹⁷ Attachment 1-2, Cal Water Response to DR KKE-002, Q.1.A.viii at 10.

¹⁸ Preliminary Statement BF Section 3 a) at 1.

¹⁹ Cal Water Testimony Book #3 at PDF 7.

²⁰ For example, Health Cost Balancing Account started as a Memorandum Account: D.10-12-017 at 37.

1 2021 and impacted the drinking water fees authorized in customer rates.²¹ To address
2 this differential, Cal Water requested authority to open the Drinking Water Fees
3 Memorandum Account (DWFMA) to track these incremental differences.²² In late 2023,
4 Cal Water submitted AL 2497-A “based on Water Division guidance,” asking for the
5 DWFMA to be closed and replaced with the DWFBA.²³ The incremental DWFBA
6 expenses approved for recovery in AL 2497-A incurred from July 2021 to December
7 2023.

8 Cal Water’s DWFBA recovery request is not clear due to inconsistencies in its
9 testimony. Cal Water’s direct testimony requests recovery of the DWFBA “as of
10 December 31, 2024”²⁴ but also requests to “*amortize most current balance.*”²⁵ A second
11 source requests “updating the amortization balance at the time of the Decision of this
12 Application with the most recent balance.”²⁶ According to Cal Water’s response to a Cal
13 Advocates data request, the DWFBA 2023 year-end balance of \$1,377,674 indicated in
14 Cal Water’s testimony was “an earlier estimate that proved to be erroneous,” and the
15 correct 2023 year-end balance is \$1,334,220.²⁷

16 Accordingly, Cal Water’s request for DWFBA recovery in SR #8 asks the
17 Commission to authorize an uncertain value. The most recent updated DWFBA balance
18 was \$1,653,180 as of June 30, 2024.²⁸ Therefore, the Commission should authorize
19 amortization of \$1,653,180 as the DWFBA total, not to be recovered in rates, but

²¹ AL 2497-A approved January 9, 2024, effective date December 16, 2021, at 2.

²² AL 2438, submitted December 16, 2021, approved March 25, 2022, with effective date of December 16, 2021.

²³ AL 2497-A at 2.

²⁴ Cal Water Testimony Book 3 at 3.

²⁵ Cal Water Testimony Book 3 at 22.

²⁶ Cal Water Testimony Book 1 at 70, footnote 44.

²⁷ Attachment 1-2, Cal Water Response to DR KKE-002 Q.1.A. viii. at 10; Cal Water Testimony Book 3 at 22.

²⁸ Attachment 1-3, Cal Water Response to DR KKE-003, Attachment 1 – BAMA Table.

1 included with the amortization of the other balancing accounts in SR #8, which the
2 Commission should require CWS to request via an advice letter filed within the standard
3 30-60 day period after the Commission issues a final decision in this proceeding.
4 Further, the Commission should deny Cal Water’s request to leave DWFBA open
5 because a balancing account is unnecessary if Cal Water intends to include the drinking
6 water fees in rates.

7 **General District Balancing Account**

8 In SR #8, Cal Water requests, in part, authority to amortize its General District
9 Balancing Accounts (District BA)²⁹ via a Tier 1 advice letter authorizing a filing deadline
10 of *at least 90 days* from the date of a final decision, where the amortization reflects the
11 balance (with interest) at the time the advice letter is submitted.³⁰ However, the District
12 BA preliminary statement (PS-AP) requires a Tier 2 Advice Letter for amortization,
13 stating that “[a] District BA may be recoverable or refundable in a Tier 2 advice letter
14 filing...”³¹ In addition, Cal Water requests an unknown future amount, claiming that
15 “[amortization] should reflect the balance in the account with interest at the time the
16 advice letter is filed.”³²

17 AL 2521 requested amortization of the District BA through December 31, 2023, a
18 balance of \$7,897,494.³³ As a ministerial Tier 2 advice letter,³⁴ D.24-03-042 provided
19 recovery only through December 2022.³⁵

²⁹ See D.14-08-011, OP 21 at 104 (authorizing District BA).

³⁰ Cal Water Testimony Book 3 at 15:9-13.

³¹ PS-AP, District BA

³² Cal Water Testimony Book 3 at 19.

³³ AL 2521 Filed June 5, 2024 at 6.

³⁴ See General Order (GO) 96-B, General Rule 7.6.1 at 16: “An advice letter is subject to disposition by the reviewing Industry Division whenever such disposition would be a “ministerial” act, as that term is used regarding advice letter review and disposition.”

³⁵ D.24-03-042, Ordering Paragraph (OP) 20 at 182.

1 AL 2521 requested to complete its amortization of nine accounts through
2 December 31, 2023. Water Division rejected AL 2521 on July 9, 2024. AL 2530-A
3 requested amortization through December 31, 2022, with transfer of only five of the
4 rejected AL 2521 accounts for a net recovery of the District BA for \$210,548.³⁶ The
5 remaining four of the accounts requested in AL 2521 have not been addressed.

6 Generally, the Commission should not approve amortization of unknown amounts.
7 However, the Commission should approve amortization of the District BA. As the
8 Commission directed when it authorized the District BA, “For accounts for which the
9 Commission has authorized a fixed period of amortization, the small residual balances
10 that result from under- or over-amortization may be put into a general district balancing
11 account.”³⁷ In other words, funds included in District BA are transferred from other
12 accounts with funds already authorized for recovery.

13 The remaining balancing and memorandum accounts requested to remain open
14 with no amortization at this time are reviewed in Chapter 2 of this Report.

15 Cal Water does not request the closure of any accounts but recognizes that the
16 2018 GRC Interim Rate Memorandum Account should be closed, noting that the last
17 surcharges to amortize this account will end on June 14, 2024.³⁸

18 **II. SUMMARY OF RECOMMENDATIONS**

19 **A. SR #8: Amortizing Memorandum and Balancing** 20 **Accounts³⁹**

21 The Commission should grant Cal Water’s request to amortize seven of the eight
22 BAMA balances requested in SR #8. These balances include under-collected amounts of

³⁶ AL 2530 filed August 30, 2024, supplemented September 17, 2024, effective October 1, 2024 at 4.

³⁷ Cal Water Testimony Book 3 at 15:1-3; D.14-08-011 at 73-74; AL 2139, at 1; Preliminary Statement AP.

³⁸ Cal Water Testimony Book 3 at 19.

³⁹ Cal Water Testimony Book 3 at 1.

1 \$10,180,027⁴⁰ and over-collected amounts of \$16,610,415, resulting in a net \$6,430,388
2 returned to Cal Water’s ratepayers.⁴¹

3 Cal Water requests recovery of its under-collected BAMA balance of
4 \$10,180,751; however, for its DWFBA, “Cal Water requests updating the amortization
5 balance at the time of the Decision of this Application with the most recent balance the
6 recovery amount.”⁴² No amortization is requested for the over-collected balance of
7 \$16,610,415.⁴³

8 Cal Water also requests to delay the time frames required to file advice letters for
9 amortization.^{44,45} Cal Water also requests that the Commission add an ordering
10 paragraph to the decision in this GRC that authorizes amortization of a balancing or
11 memo account with a deadline that is at least 90 days from the final decision.⁴⁶ The
12 Commission should deny Cal Water’s request in accordance with GO 96-B.⁴⁷ If the
13 Commission approves Cal Water’s request, however, then the deadline should not be
14 more than 180 days after the relevant final decision, with a maximum of 30 days’
15 interest.

⁴⁰ CEMA (\$2,097,650 plus \$2,103,237) + PSPS MA (\$4,342,469) +ALMA (\$303,869) (Attachment 1-2, Cal Water Response to DR KKE-002, Q.1.A.v.-viii. at 6-8 and 10.) and DWFBA (1,653,180) = a total surcharge of \$10,180,027.

⁴¹CEBA5 (\$1,107,096) + PCBA5 (\$12,612,021) + HCBA5 (\$2,891,298) = 16,610,415 Attachment 1-2, Cal Water Response to DR KKE-002, Q.1.C.i.-iii. at 5.

⁴² Cal Water Testimony Book 1, at 70.

⁴³ CEBA5 (\$1,107,096) + PCBA5 (\$12,612,021) + HCBA5 (\$2,891,298) = 16,610,415 . Attachment 1-2, Cal Water Response to DR KKE-002, Q.1.C.i.-iii. at 5.

⁴⁴ General Order (G.O.) 96-B, Water Industry Rules, 7.3.1(1), at 5.

⁴⁵ Cal Water Testimony Book 3 at 4: “[C]al Water requests that an ordering paragraph authorizing amortization of a balancing or memo account ... provide a filing deadline that is at least 90 days from a final decision (rather than the more typical 30 or 60 days).

⁴⁶ Cal Water Testimony Book 3 at 4.

⁴⁷ G.O. 96 B, Water Industry Rules, 8.5: “An over-collection shall be refunded as soon as possible by crediting the service charge” at 8.

1 **B. SR #9: Request to Reauthorize CEBA6, PCBA6 and**
2 **HCBA6 for 2026-2028**

- 3 • The Commission should grant Cal Water’s request to reauthorize
4 the CEBA6 balancing account.
- 5 • The Commission should also reauthorize PCBA6 balancing
6 account but should deny the Supplemental Executive Retirement
7 Plan (SERP) to be tracked in PCBA6.
- 8 • The Commission should not reauthorize the HCBA6 balancing
9 account because the reasons and rationale for authorizing the
10 original Health Cost Memorandum Account are no longer
11 applicable; costs are foreseeable, and the Rate Case Plan (RCP)
12 allows for increased insurance expenses for attrition years.

13 **C. SR #10: Authorization of a General Insurance Balancing**
14 **Account**

15 The Commission should deny Cal Water’s request to establish yet another
16 balancing account and instead require Cal Water to forecast insurance rates for the test
17 years that anticipate attrition year values.

18 **III. ANALYSIS**

19 **A. Special Request #8**

20 In SR #8, Cal Water seeks the Commission’s approval to amortize the balances in
21 eight accounts at least 90 days after a final decision is issued in the current proceeding.⁴⁸
22 However, Cal Water does not specify the amounts it seeks to recover or the end dates for
23 the recorded balances. In response to Cal Advocates’ inquiry, Cal Water clarified that it
24 requests authorization to amortize balances of the eight BAMAs even if the 2% trigger
25 for amortization is not met.⁴⁹ Cal Water requests to recover its under-collected BAMA

⁴⁸ A.24-07-003 at 14-15.

⁴⁹ Attachment 1-2, Cal Water Responses to DR KKE-002, Q.1.A.i.-iv. at 5. See Attachment 1-2.

1 balances of \$10,180,751 while Data Request responses show a total of \$10,180,027.⁵⁰

2 However, Cal Water does not address the over-collected balance of \$16,610,415.⁵¹

3 Cal Water also asks the Commission to delay the submittal deadline of BAMA
4 amortization advice letters by at least 90 days after this GRC decision, contrary to GO
5 96-B requirements for prompt amortization of balancing account balances.⁵²

6 **1. The Commission Should Order Cal Water to**
7 **Refund \$6,430,388 by Including Over-**
8 **Collected BAMAs.**

9 The Commission should order Cal Water to refund a net over-collected amount of
10 \$6,430,388, consisting of three of the over-collected BAMAs totaling \$16,610,415,
11 offset by Cal Water's requested amortization of \$10,180,751 from four BAMAs, as
12 shown in Table 1-3 below.

13

⁵⁰ CEMA (\$2,097,650 plus \$2,103,237) + PSPS MA (\$4,342,469) + DWFBA (\$1,332,802) + ALMA (\$303,869) = a total surcharge of \$10,180,027. Attachment 1-2, Cal Water Response to DR KKE-002, Q.1.A.v-viii. at 6-8 and 10.

⁵¹ CEBA5 (\$1,107,096) + PCBA5 (\$12,612,021) + HCBA5 (\$2,891,298) = \$16,610,415. Attachment 1-2, Cal Water Response to DR KKE-002, Q.1.C.i.-iii. at 5.

⁵² Cal Water Testimony Book 3 at 4.

1 **Table 1-3: SR #8 Cal Water BAMA Recovery Over-Collection Offset⁵³**

PS	Balancing or Memorandum Account	Balance for Amortization (\$)
Z5	CEBA5, over-collection ⁵⁴	(1,107,096)
AA5	PCBA5, over-collection ⁵⁵	(12,612,021)
AB5	HCBA5, over-collection ⁵⁶	(2,891,298)
	TOTAL over-collection	(16,610,415)
AG	CEMA [KKE-002 8/28 at 6]	2,097,650
<u>AG</u>	<u>CEMA [KKE-002 8/28 at 6]</u>	2,103,237
<u>AS</u>	<u>ALMA [KKE-002 9/6 at 7]</u>	303,869
<u>AY</u>	<u>PSPS MA [KKE-002 8/28 at 8]</u>	4,342,469
	<u>DWFBA [KKE-002 8/28 at 9]</u>	1,332,802
	<u>DISTRICT BAs AL 2530-A (Granted - Not part of tally)</u>	\$210,548
	TOTAL under-collection	10,180,027
	<u>NET TOTAL - REFUND PROMPTLY⁵⁷</u>	(6,430,388)

2
 3 The Commission should order a prompt amortization of CEBA5, PCBA5 and
 4 HCBA5 as required by GO 96-B.⁵⁸ Further, Cal Water should comply with GO 96-B and
 5 amortize the over-collected amount of \$16,610,415 immediately.

6 Accordingly, the Commission should require Cal Water to promptly issue a net
 7 refund of \$ 6,430,388 for seven of the SR #8 accounts. Further, the Commission should
 8 authorize amortization of the District BA account as requested by Cal Water.

⁵³ Attachment 1-2, Cal Water Response to DR KKE-002, Q.1.A.v-viii. at 6-8 and 10.

⁵⁴ Attachment 1-2, Cal Water Response to DR KKE-002, Q.1.C.i. at 5.

⁵⁵ Attachment 1-2, Cal Water Response to DR KKE-002, Q.1.C.ii. at 5.

⁵⁶ Attachment 1-2, Cal Water Response to DR KKE-002, Q.1.C.iii. at 5.

⁵⁷ GO 96-B Water Industry Rule 8.5 at 8.

⁵⁸ GO 96-B, Water Industry Rule 8.5 at 8 (stating that an over-collection “shall be refunded as soon as possible by crediting the service charge”).

1 **2. The Commission should reject Cal Water’s**
2 **request to delay submitting advice letters**
3 **requesting BAMA amortization.**

4 General Order (GO) 96-B, Water Industry Rule 7.3.1 provides that balancing
5 account recovery is addressed through Tier 1 Advice Letters.⁵⁹ Rule 8.5, which addresses
6 amortization of balancing accounts, requires water utilities to “promptly file an advice
7 letter seeking to amortize an over- or under-collected balancing account...”⁶⁰ Despite the
8 GO 96-B requirement to promptly amortize these accounts, Cal Water requests authority
9 to submit its amortization advice letters 90 days or more after the final decision.⁶¹ Cal
10 Water’s request does not comply with the GO 96-B prompt amortization rules. Therefore,
11 the Commission should deny Cal Water’s request to delay submitting its BAMA recovery
12 advice letters.

13 If the Commission grants Cal Water’s request to delay advice letter submittal for
14 90 days or more, Cal Water’s delayed requests for amortization should not burden
15 ratepayers with extra interest accrued on account balances. Therefore, the Commission
16 should limit accrual of interest on Cal Water’s BAMA balances to only 30 days from the
17 decision’s effective date.⁶²

18 Cal Water’s request to amortize CEBA5, PCBA5 and HCBA5 is for an unknown
19 total amount, as these accounts are authorized to track costs until the end of 2025.⁶³ As
20 shown in Table 1-3 above, Cal Water should refund an over-collection of \$16,610,415 for
21 these three balancing accounts immediately, and the accounts should stay open for future
22 amortization via Tier 2 advice letter submitted in the beginning of 2026.

⁵⁹ GO 96-B, Water Industry Rule 7.3.1(1) at 5.

⁶⁰GO 96-B, Water Industry Rule 8.5 at 8.

⁶¹ Cal Water Testimony Book 3 at 4.

⁶² Interest accrues at the 90-day commercial paper rate.

⁶³ Attachment 1-2, Cal Water Response to DR KKE-002, Q.1.A.i-iii. at 5.

1 **3. Other Requests Related to SR #8**

2 The Commission should not grant Cal Water’s request to add to its proposed
3 revenue requirement the Drinking Water Fees tracked in the Drinking Water Fees
4 Balancing Account (DWFBA) as of December 31, 2024.⁶⁴ In SR #8, Cal Water claims
5 that, consistent with OP 3 of D.06-04-037,⁶⁵ it requests to amortize the DFWBA in
6 rates.⁶⁶ However, Cal Water requests amortization not of the DFWBA balance provided
7 in its Application or testimony, but of an unknown amount to be determined when the
8 Commission issues a decision in this proceeding.⁶⁷ The Commission should amortize Cal
9 Water’s requested DWFBA balance as part of SR#8 by granting amortization for all
10 accounts included in SR#8.

11 **B. SR #9: New Conservation, Pension, and Health Cost**
12 **Balancing Accounts**

13 For this rate case cycle, the Commission should authorize Cal Water’s request to
14 re-authorize its CEBA6 and PCBA6, with recommended adjustments described below.
15 However, the Commission should reject Cal Water’s request to reauthorize its HCBA6
16 balancing account.

17 **1. Conservation Expense Balancing Account (CEBA6)**

18 Cal Water requests reauthorization of its Conservation Expense Balancing
19 Account (CEBA6), a one-way balancing account, to record authorized and actual
20 conservation expenses.⁶⁸ The CEBA6 will track the difference between recorded
21 expenses and authorized expenses and return funds unspent during the three-year

⁶⁴ Cal Water Testimony Book 3 at 3.

⁶⁵ D.06-04-037, OP 3 at 10states, “Class A water utilities shall report on the status of their balancing accounts in their general rate cases and shall propose adjustments to their rates in that context to amortize under- or over-collections in those accounts subject to reasonableness review. They also may propose such rate adjustments by advice letter at any time that the under- or over collection in any such account exceeds two percent (2%) of annual revenues for the utility or a ratemaking district of the utility.”

⁶⁶ Cal Water Testimony Book 3 at 3.

⁶⁷ Cal Water Testimony Book 1 at 70, footnote 44.

⁶⁸ A. 24-07-003 Attachment F, Proposed Tariffs, at PDF 62-63.

1 authorization period to customers in rates.⁶⁹ CEBA6 will also track any grants that Cal
2 Water receives for conservation-related expenses.⁷⁰

3 The Commission should grant Cal Water’s request to reauthorize its CEBA6;
4 however, the Commission should require Cal Water to add the GO 96-B language
5 mandating a prompt refund of any unspent budget to the CEBA6 preliminary statement.
6 GO 96-B requires an overcollection to be promptly refunded to the ratepayers.⁷¹ To
7 prevent this situation from recurring in future GRCs, the associated Preliminary
8 Statement (Z6) for CEBA6 should include language that reflects the requirement to
9 promptly refund over-collections every year for the account duration.

10 **2. Pension Cost Balancing Account (PCBA6)**

11 Cal Water’s request to reauthorize its PCBA6 includes an executive-only pension
12 plan, the Supplemental Executive Retirement Plan or (SERP).⁷² The Commission denied
13 inclusion of SERP in in rates or Cal Water’s PCBA in Cal Water’s most recent GRC
14 decision.⁷³ In this proceeding, the Commission should authorize Cal Water’s PCBA6 but
15 again exclude SERP, as explained below.

16 **3. Exclude SERP from Pension Cost Balancing** 17 **Account**

18 Cal Water’s SERP is an unfunded, non-qualified benefits plan intended to provide
19 supplemental “top-hat plan, meaning it sits on top of the basic pension plan and allows
20 participants to earn nonqualified pension benefits on earnings not covered by the basic
21 pension.”⁷⁴ The unfunded SERP accumulated benefit obligations were \$69.7 million and

⁶⁹ PS Z6 Section 1 Purpose at 1.

⁷⁰ PS Z6 Section 1 Purpose at 1.

⁷¹ GO 96-B Water Industry Rule 8.5 at 8. As described in the other sections, Cal Water has not sought prompt refunding of over-collected balances—the current PCBA5 is over-collected by over \$12.6 million, yet Cal Water does not request that these funds be refunded to ratepayers in the current application (see Attachment 1-2, Cal Water Response to DR KKE-002, Q.1.C.ii. and Q.1.D.ii. at 5).

⁷² Cal Water Testimony Book 1 at 177.

⁷³ D. 24-03-042, OP 13 at 181.

⁷⁴ Cal Water Testimony Book 1 at 184:23-25.

1 \$59.0 million as of December 31, 2023, and 2022, respectively.⁷⁵ Cal Water continues to
2 maintain a Rabbi trust designated to fund its SERP obligations.⁷⁶ The Commission
3 requires water utilities to follow the Uniform System of Accounting (USOA)
4 procedures.⁷⁷ USOA provides guidance for segregating special trust funds, such as the
5 Rabbi Trust in which SERP funds are held, from pension plan accounts.⁷⁸

6 Cal Water claims that SERP is an important part of its total executive
7 compensation because “SERP benefits are part of market compensation.”⁷⁹ Although
8 SERP may benefit Cal Water by attracting candidates for executive positions, it is not
9 reasonable for ratepayers to fund a supplemental benefit to a limited segment of highly
10 compensated Cal Water employees.⁸⁰ Corporate officers have fiduciary duty to
11 shareholders. Attracting competitive executive candidates promotes shareholders’
12 interests. Therefore, SERP should continue to be a shareholder expense.⁸¹ Ratepayers
13 already fund a qualified retirement benefit plan that is available to all of Cal Water’s
14 permanent employees, including executives.⁸²

15 Cal Water states that “At market-value total compensation is necessary to attract
16 and retain qualified and quality employees” and that “[t]he Organization and
17 Compensation Committee has determined that this ‘pay-for-performance’ philosophy that

⁷⁵ [February 29, 2024 - 10-K: Annual report pursuant to Section 13 and 15\(d\) | California Water Service Group \(CWT\)](#) at 80.

⁷⁶ Information about the holdings of the Rabbi Trust can be found in Cal Water’s Securities and Exchange Commission 10K filings. A.24-07-003, Attachment B (Proxy and 10-K) at 214 (Annual Report); Cal Water Securities and Exchange Commission Form 10-K Annual Report Year Ended December 31, 2022 at 76.

⁷⁷ D.16-11-006, OP 1 at 40.

⁷⁸ See Standard Practice (SP) U-38-W: [Uniform System of Accounts \(USOA\) for Class A Water Utilities](#) at A30 and A45.

⁷⁹ Cal Water Testimony Book 1 at 179.

⁸⁰ Cal Water Testimony Book 1 at 177, stating that Cal Water provides a retirement benefit plan that covers all permanent employees....” SERP is supplemental to this existing ratepayer-funded pension plan and benefits executives only.

⁸¹ D. 24-03-042, OP 13 at 181.

⁸² Cal Water Testimony Book 1 at 177.

1 sets goals tied to key performance indicators...best aligns the interests of executives with
 2 those of stockholders and customers.”⁸³ The company-wide pension fund covers
 3 executives for their responsibilities to the ratepayers, and is paid for by the ratepayers.⁸⁴

4 The Commission should grant Cal Water’s request for PCBA6 re-authorization, it
 5 should again deny Cal Water’s request for a SERP.⁸⁵ As stated above, the Commission
 6 excluded SERP from PCBA5 so Cal Water is familiar with segregating these funds.⁸⁶ In
 7 this proceeding, the Commission will save ratepayers nearly \$17 million by rejecting Cal
 8 Water’s SERP request, as shown in Table 1-4 below.⁸⁷

9 **Table 1-4: SERP estimated expense (\$000s), 2026-2028⁸⁸**

					TOTAL
SERP		2026	2027	2028	
Service Cost \$		-67	30	455	
Other costs		5,309	5,414	5,597	
Total expense \$		5,242	5,444	6,052	16,738

10

11 In reauthorizing the PCBA6, the Commission should require Cal Water to add the
 12 following language to the PCBA6 Preliminary Statement AA6, Section 3a:

13 Annual pension expense, excluding the Supplemental Executive
 14 Retirement Plan (SERP) expense, as determined by Cal Water's actuarial
 15 expert according to the method prescribed by the Financial Accounting
 16 Standards Board's Codification pension trust administrative costs such as
 17 the ERISA-required Pension Benefit Guaranty Corporation (PBGC) costs.
 18 The capitalized portion of pension costs at the adopted capitalization ratio
 19 will be excluded.
 20

⁸³ Cal Water Testimony Book 1 at 164.

⁸⁴ Cal Water Testimony Book 1 at 177.

⁸⁵ Cal Water Testimony Book 1 at 185 (noting that D.24-03-042 adopted Cal Water’s estimated pension costs but excluded the cost of the SERP).

⁸⁶D. 24-03-042, OP 13 at 181.

⁸⁷Cal Water Testimony Book 1, Attachment B – Actuarial Reports at 52.

⁸⁸ Cal Water Testimony Book 1, Attachment B – Actuarial Reports at 52.

1 Despite the Commission’s history of excluding SERP from Cal Water’s PCBA, if
2 the Commission determines in this proceeding that ratepayers should fund extra
3 retirement benefits for Cal Water executives, the Commission should not authorize
4 advice letter recovery for these accounts in its decision on this proceeding. Instead, the
5 Commission should direct Cal Water to submit a Tier 2 advice letter for approval
6 beginning in January 2029, consistent with the amortization timeline Cal Water requested
7 in the Preliminary Statement AA6.⁸⁹

8 **4. Healthcare Cost Balancing Account**
9 **(HCBA6)**

10 The Commission should deny Cal Water’s request to reauthorize the Healthcare
11 Cost Balancing Account (HCBA6) because healthcare costs are foreseeable and can be
12 reasonably forecasted in rates, so a balancing account is no longer an appropriate
13 mechanism for tracking employee healthcare costs.

14 **a. Health Care Expenses Memorandum Account**

15 Cal Water previously tracked costs of employee healthcare in the Health Care
16 Memorandum Account (HCMA).⁹⁰ The Commission authorized the HCMA due “[to]
17 unknown and potentially significant cost changes related to the federal health care bill
18 passed by Congress in April 2010,”⁹¹ known as the Affordable Care Act (ACA).⁹²

19 In its GRC for 2014-2016, Cal Water proposed amortizing the balance in the
20 HCMA at the end of 2013 and closing the account.⁹³ Cal Advocates (then Office of
21 Ratepayer Advocates)⁹⁴ recommended closure of the account without amortization

⁸⁹ Cal Water Testimony Book 1 at 11.

⁹⁰ D.10-12-017, OP 27 at 89.

⁹¹ D.10-12-017 at 37-38.

⁹² The Patient Protection and Affordable Care Act signed into law March 23, 2010.

⁹³ D.14-08-011 at 45.

⁹⁴ The Public Advocates Office was previously known as Office of Ratepayer Advocates (ORA).

1 because there was no balance in the account as of August 31, 2012.⁹⁵ Cal Water argued
2 that \$438,600 related to 2011 and 2012 health care changes were recoverable through the
3 account.⁹⁶ Ultimately, the Commission approved a settlement that closed the HCMA with
4 no recovery of costs and opened the HCBA.⁹⁷

5 This uncertainty of recovery is the reason why memorandum accounts are
6 considered “off-book” accounts.⁹⁸ SP U-27-W states: “A memo account is an accounting
7 device that ... may be used by a utility to record various expenses it incurs...” As
8 demonstrated by the denial of Cal Water’s request to recover over \$400,000 from the
9 HCMA,⁹⁹ “the establishment of a memo account does not guarantee that the utility will
10 recoup the tracked amount...”¹⁰⁰

11 **b. Healthcare Cost Balancing Account**

12 The uncertain healthcare insurance market conditions that purportedly existed
13 when the Commission authorized the HCMA are no longer present and the HCBA does
14 not have the same rationale or justification. Costs are no longer unforeseeable. According
15 to the HCBA Preliminary Statement accounting procedures, the HCBA includes only
16 85% of the difference between the adopted health care expenses and the actual cost
17 incurred.¹⁰¹ Further, increases in employee healthcare costs are covered under the RCP,
18 which establishes increased expenses for attrition years that include insurance costs,
19 which will “...be escalated by the most recently available, recorded, 12-month-ending
20 change in the U.S. Cities [Consumer Price Index for All Urban Consumers] as published

⁹⁵ D.14-08-011 at 45.

⁹⁶ D.14-08-011 at 45.

⁹⁷ D.14-08-011 at 45-46. The original HCBA was authorized as PS AB2.

⁹⁸ “A memo account is not recorded in the utility’s accounting books; it represents an off-book accounting record.” SP U-27-W at 6.

⁹⁹ D.14-08-011 at 45.

¹⁰⁰ SP U-27-W at 3.

¹⁰¹ See A.24-07-003, Attachment F (Proposed Tariffs), PS AB6 at 1, Accounting Procedure.

1 by [the Commission’s Energy Cost of Service Branch].... ”¹⁰² The RCP does not
2 guarantee that all expenses are available for an attrition year increase,¹⁰³ however, so it
3 preserves the incentive to shop for competitive pricing.

4 Therefore, the Commission should eliminate the HCBA and enforce the RCP by
5 specifically authorizing healthcare coverage expenses under “Pension and Benefits” at its
6 labor escalation rate, or an as item under “Loans, Insurance, Contracted Services, Rents”
7 at the most recent CPI-U rate.¹⁰⁴ Healthcare costs are reasonably known and do not
8 require a balancing account. The original HCMA addressed the assumed chaotic
9 marketplace due to passage of 2010 Federal legislation. What followed was creation via
10 settlement agreement of the HCBA, which burdens ratepayers by creating a disincentive
11 for Cal Water to search for competitive healthcare insurance pricing. The Commission
12 should encourage Cal Water to “shop around” for the best prices for healthcare coverage.
13 Because adequate justification for the HCBA no longer exists, the Commission should
14 deny Cal Water’s request for reauthorization of the HCBA.

15 **C. SR #10**

16 In Special Request #10, Cal Water seeks Commission authorization of a new
17 “General Insurance Balancing Account” because it claims that the estimated attrition year
18 inflation costs are greater than increases authorized by RCP.¹⁰⁵ The purpose of the
19 proposed General Insurance Balancing Account is to record Cal Water’s insurance costs
20 based on the established attrition year escalation rate.¹⁰⁶

¹⁰² D.04-06-018 at 12-13.

¹⁰³ D.04-06-018 at 14 (stating that “[for] utilities organized with a general office structure, the prorated comparable general office items may also be escalated by the applicable escalation rate. No other amounts may be escalated”).

¹⁰⁴ D.04-06-018 at 13-14.

¹⁰⁵ Cal Water Testimony Book 3 at 26. D.04-06-018 at 14 authorizes an escalation rate of CPI-U (previous 12 months) for Loans, Insurance, Contracted Services, and Rents.

¹⁰⁶ Cal Water Testimony Book 1 at 11.

1 The RCP does not guarantee that all expenses are available for an attrition year
2 increase.¹⁰⁷ The Commission should not authorize a new account because the RCP
3 establishes increased expenses for attrition years that include insurance costs, which will
4 “...be escalated by the most recently available, recorded, 12-month-ending change in the
5 U.S. Cities [Consumer Price Index for All Urban Consumers] CPI-U as published by [the
6 Commission’s Energy Cost of Service Branch].... ”¹⁰⁸

7 The Commission also recognizes that some accounts with use of the “...escalation
8 methodology will tend to overcompensate the utility for increased costs. We believe that
9 this outcome will offset any issues where we make simplifying assumptions for
10 escalation purposes that may not fully encompass all possible future cost increases.”¹⁰⁹
11 A General Insurance Balancing Account provides Cal Water with excessive guarantees
12 against risk in accounts for which the RCP provides attrition year escalation, eliminating
13 the incentive to prudently manage costs. Further, establishment of a General Insurance
14 Balancing Account to record Cal Water’s insurance costs would create an item-specific
15 escalation rate within a GRC, which is specifically denied in the RCP. The RCP states
16 that each GRC application cannot be tailored to the whims of any one utility.¹¹⁰ Further,
17 establishment of a General Insurance Balancing Account removes the utility’s incentive
18 to prudently manage insurance costs, because these costs would be passed onto
19 ratepayers rather than borne by the utility.

20 Accordingly, the Commission should deny Cal Water’s SR #10 because it
21 conflicts with RCP requirements. Instead, Cal Water should negotiate market rates that
22 anticipate attrition year values.

¹⁰⁷ D.04-06-018 at 14 (stating that “[for] utilities organized with a general office structure, the prorated comparable general office items may also be escalated by the applicable escalation rate. No other amounts may be escalated”).

¹⁰⁸ D.04-06-018 at 12-13.

¹⁰⁹ D.04-06-018 at 11.

¹¹⁰ D.04-06-018 at 10 (denying “the utilities’ request to derive item-specific escalation rates in each GRC”).

1 **IV. CONCLUSION**

2 • **Special Request #8**

3 The Commission should grant the portion of Cal Water’s SR#8 seeking authority
4 to leave open and recover the amount transferred to the General District BA after the
5 final decision in this proceeding. However, the other seven BAMAs addressed in SR#8
6 should be amortized with the amounts provided by Cal Water in response to Cal
7 Advocates Data Requests, for a ratepayer refund of \$6,430,388.¹¹¹

8 • **Special Request #9**

9 *CEBA6*

10 The Commission should grant Cal Water’s request to reauthorize the CEBA6 but
11 should also require Cal Water to add to its Preliminary Statement (Z6) language that
12 reflects the GO 96-B requirement to promptly refund any unspent authorized
13 conservation budget.

14 *PCBA6*

15 The Commission should grant Cal Water’s request to reauthorize its PCBA6 but
16 should exclude SERP from the PCBA6.

17 *HCBA6*

18 The Commission should deny Cal Water’s request to reauthorize the HCBA6
19 balancing account. These costs are known and therefore do not require a balancing
20 account.

21 • **Special Request #10**

22 The Commission should deny Cal Water’s request for a new balancing account for
23 insurance purposes. The RCP accounts for attrition year costs through its escalation
24 factors, granting Cal Water’s request would provide it with an item-specific escalation
25 rate for this GRC, which is specifically prohibited in the RCP.

26

¹¹¹ Attachment 1-2, DR KKE-002.

1

LIST OF ATTACHMENTS FOR CHAPTER 1

	Attachment #	Description
1	Attachment 1-1	Qualifications of Witness
2	Attachment 1-2	Cal Water Partial Response 1 to Data Request KKE-002, Cal Water Partial Response 2 to Data Request KKE-002, Cal Water Response 3 (Final) to Data Request KKE-002.
3	Attachment 1-3	Cal Water Response to Data Request KKE-003 and Attachment 1 – Table.

2

1 **CHAPTER 2 OTHER MEMORANDUM AND BALANCING ACCOUNTS**

2 **I. INTRODUCTION**

3 This chapter addresses balancing and memorandum accounts (BAMA) not
4 included in SRs #8, #9, and #10, that Cal Water requests remain open for this GRC
5 period.¹¹² In addition, this chapter discusses two “pending” advice letters that Cal Water
6 states impact its BAMAs.¹¹³

7 **II. SUMMARY OF RECOMMENDATIONS**

8 In a final decision on Cal Water’s current GRC application, the Commission
9 should include updates to the BAMAs authorized by D.24-03-042, as well as the status of
10 Cal Water’s other BAMAs addressed in this report,.

11 **III. ANALYSIS**

12 The requested actions for the BAMAs listed by Cal Water as “pending” disposition
13 were made in AL 2518¹¹⁴ and AL 2521.¹¹⁵ While the Commission’s Water Division
14 rejected the requests made in both advice letters, Resolution W-5248 ultimately reversed
15 the rejection of AL 2518.¹¹⁶ Furthermore, Cal Water repeated three of the requested
16 BAMA actions from AL 2521 in its AL 2530-A, which were subsequently approved.¹¹⁷

¹¹² Cal Advocates’ review of any Balancing Account cannot satisfy the “independent auditor” requirement under Public Utilities Code 792.5, as Cal Advocates is an interested party in the proceeding, not an independent auditor. *See* Public Utilities (Pub. Util.) Code § 792.5(f): “The commission may forgo the review or audit of a balancing account pursuant to this section if an independent auditor has reviewed or audited the balancing account in the preceding five years.” Amended by Stats. 2022, Ch. 251, Sec. 28. (AB 209) Effective September 6, 2022.

¹¹³ AL 2521 and AL 2518 were pending at time of Application submission

¹¹⁴ Regarding AL 2518 as pending, See Cal Water Testimony Book 3 at 8: “Cal Water’s request to open these accounts in AL 2518 on May 17,2024 is under review.”

¹¹⁵ Regarding AL 2521 as pending, See Cal Water Testimony Book 3 at 17 “Cal Water requested amortization of the costs (including interest) in Advice Letter 2521 on June 5, 2024.”

¹¹⁶ Resolution W-5248 at 1 (December 19, 2024).

¹¹⁷ AL 2530-A limits the amounts to be amortized to the balances in the accounts as of December 31, 2022: Cr6 MA\$65,957.15 and \$84,765.19 = \$150,722.34; LSL MA \$293,318.48 District BA \$210,548.38.

1 Because Tier 1 disposition of AL 2518 was still pending at the time Cal Advocates
2 prepared this Report, Cal Advocates did not review the following accounts that Cal Water
3 lists in the Application as pending disposition:¹¹⁸

- 4 1. Low-Income Ratepayer Assistance (LIRA) Memorandum Account
5 [PS I]
- 6 2. Conservation Expense One-Way Balancing Account (CEBA3 - 2015
7 GRC) [PS Z3]
- 8 3. Pension Cost Balancing Account (PCBA3 - 2015 GRC) [PS AA3]
- 9 4. Health Cost Balancing Account (HCBA3 - 2015 GRC) [PS AB3]
- 10 5. School Lead Testing Memo Account (SLTMA) [PS AT]
- 11 6. 2018 Tax Accounting Memo Account (TAMA) [PS AV].

12
13 Cal Advocates initially found no review necessary for the following accounts that
14 Cal Water lists as pending partial or total ministerial disposition in AL 2521¹¹⁹

- 15 1. General District Balancing Account (District BA);
- 16 2. Lead Service Line Memorandum Account (LSL MA); and
- 17 3. Chromium 6 Memorandum Account (Cr6MA).]¹²⁰

18 The set of BAMAs shown in Table 2-1 below are those for which Cal Water
19 requests no action and were not specifically reviewed by Cal Advocates. Cal Advocates
20 does not oppose Cal Water’s requests for these accounts to stay open with no
21 amortization at this time.

¹¹⁸ Water Division rejected AL 2518 on July 9, 2024, but reversed the rejection and approved AL 2518 in Resolution W-5284 on December 19, 2024.

¹¹⁹ Water Division rejected AL 2521 on July 10, 2024.

¹²⁰ The Commission approved Cal Water’s request in AL 2530-A to amortize balances in these three accounts as of December 31, 2022.

1

Table 2-1: BAMAs not reviewed by Cal Advocates¹²¹

Prelim. Statements	Account name	Request status
T	Lucerne Balancing Account (LBA)	Continue under D.08-09-002; no action.
AO	Water Contamination Litigation Memo Account (WCLMA)	Remain open; no action.
AU	Sites Reservoir Phase 1 Memo Account (Sites)	Remain open; no action.
AX	Lead Service Line Memorandum Account (LSL MA)	Remain open while amortization occurs. No action requested.
BE	Lead And Copper Rule Memo Account (LCMA)	Remain open; no action requested.
BC	Drought Response Memo Account (DREMA)	Remain open; no action requested.
BK	Conservation Regulation Memorandum Account (CRMA)	Remain open; no action requested.
BM	Palos Verdes Pipeline Memorandum Account (PVP MA)	Remain open; no action requested.

2

3

Cal Water’s requests for the accounts rejected in AL 2521 but authorized in AL

4

2530-A are reviewed below.

5

A. Preliminary Statement AX: Lead Service Line Memorandum Account (LSL MA)

6

7

Requested Status: Remain open and complete partial amortization granted in AL 2530-A.

8

The Lead Service Line Memo Account (LSL MA) was opened December 13,

9

2018 through AL 2331, to comply with the Senate Bill 1398 (signed September 17, 2016)

10

requirement to take inventory of lead service lines in the distribution system and make

11

plans for replacement.¹²² The LSL MA tracks incremental costs associated with potential

12

replacement of lead service lines.¹²³ Cal Water reported in its 2021 GRC Application

13

that the purpose of its LSL MA had been met, and that *non-recurring* costs incremental to

14

rates were removed from the recorded numbers used to forecast expenses in the 2021

¹²¹ Cal Water Testimony Book 3 at 5, 14-17, 20-21 and 24.

¹²² Cal Water Testimony Book 3 at 17.

¹²³ Cal Water Testimony Book 3 at 17.

1 GRC.¹²⁴ The Commission authorized amortization of the account via a Tier 1 advice
2 letter in D.24-03-042.¹²⁵ The Commission granted amortization of the LSL MA in its
3 disposition of AL 2530-A.¹²⁶

4 **B. Preliminary Statement BC: Drought Response Memo**
5 **Account (DREMA)**

6 *Requested Status: Remain open; at the appropriate time a Tier 3 advice letter will be*
7 *filed.*

8 The Commission approved the Drought Response Memo Account (DREMA) in its
9 disposition of AL 2468, with an effective date of December 9, 2022.¹²⁷ Unlike the
10 Drought Memo Account 2 (DRMA2), which tracks costs and penalties related to a
11 declared drought, DREMA tracks the impacts of water conservation (reduced water sales)
12 on quantity rate revenues. In other words, the DREMA is essentially a “lost revenue”
13 memo account.¹²⁸

14 Recovery of the DREMA is reduced by an amount equal to a 20-basis point
15 reduction in Cal Water’s return on equity and reduced water production costs resulting
16 from lower sales.¹²⁹ Amortization of the DREMA requires a comparison between actual
17 and adopted water sales and between actual production and adopted water production
18 costs.¹³⁰

19 Cal Water requests no action related to the DREMA in this GRC and states that it
20 will file a Tier 3 advice letter to amortize this account.¹³¹

¹²⁴ Cal Water Testimony Book 3 at 17.

¹²⁵ Cal Water Testimony Book 3 at 17.

¹²⁶ AL 2530 effective October 1, 2024 at 4.

¹²⁷ Cal Water Testimony Book 3 at 20.

¹²⁸ Cal Water Testimony Book 3 at 20.

¹²⁹ Cal Water Testimony Book 3 at 20.

¹³⁰ Cal Water Testimony Book 3 at 20.

¹³¹ Cal Water Testimony Book 3 at 20.

1 **C. Preliminary Statement BE: Lead And Copper Rule Memo**
2 **Account (LCMA)**

3 *Requested Status: Remain open; no action requested.*

4 The Lead and Copper Rule Memo Account (LCMA) was approved in the
5 Commission’s disposition of AL 2473-A, with an effective date of March 16, 2023.¹³²
6 The LCMA tracks incremental costs with the U.S. Environmental Protection Agency’s
7 (EPA) Lead and Copper Rule Revisions (LCRR), which Cal Water states will require a
8 comprehensive inventory of service line materials on both sides of the meter.¹³³

9 Cal Water also states that, per EPA guidelines, Cal Water is responsible for the
10 eventual replacement of lead service lines on its side of the meter, and it is currently
11 working with a consultant to prepare an initial study to conduct service line material
12 inventories.¹³⁴

13 As of year-end 2023, approximately \$140,000 is recorded, though this amount
14 does not include interest and has not undergone Cal Water’s process for balance
15 analysis.¹³⁵ Cal Water anticipates incurring new and unavoidable costs for compliance
16 with the LCRR but cannot forecast how much those costs will be and when they will be
17 incurred.¹³⁶ Therefore, Cal Water requests no action on this account in this GRC.¹³⁷

¹³² Cal Water Testimony Book 3 at 20.

¹³³ Cal Water Testimony Book 3 at 20.

¹³⁴ Cal Water Testimony Book 3 at 20.

¹³⁵ Cal Water describes its process for analyzing BAMA balances in Cal Water Testimony Book #3 at 2-3. Cal Water Testimony Book #3 at 21.

¹³⁶ Cal Water Testimony Book 3 at 20.

¹³⁷ Cal Water Testimony Book 3 at 20.

1 **D. Preliminary Statement AO: Water Contamination**
2 **Litigation Memo Account (WCLMA)**

3 *Requested Status: Remain open; no action requested.*

4 Cal Water has not experienced any events that have required the use of this
5 account and requests no action related to this account in this GRC¹³⁸

6 **E. Preliminary Statement AU: Sites Reservoir Phase 1 Memo**
7 **Account (SITES)**

8 *Requested Status: Remain open; no action requested.*

9 Cal Water contributed \$849,000 to the public-private effort for the Sites Reservoir
10 Project in 2017.¹³⁹ As allowed under its agreement with the Sites Water Authority, Cal
11 Water withdrew from the project on August 6, 2018.¹⁴⁰ Cal Water began to receive
12 reimbursement checks in 2020 that have decreased the account balance to \$546,000.¹⁴¹

13 Cal Water expects to receive further reimbursement as funds become available.
14 Upon final reimbursement, Cal Water plans to eliminate the SITES Memorandum
15 Account (Phase 1 Sites MA).¹⁴² Cal Water requests no action to this account in this
16 GRC.¹⁴³

17 **F. Preliminary Statement T: Lucerne Balancing Account**
18 **(LBA)**

19 *Requested Status: Account must continue under D.08-09-002; no action requested.*

20 The Commission authorized the Drinking Water State Revolving Fund (DWSRF)
21 loan in D.08-09-002 to construct a treatment plant serving customers in the Redwood
22 Valley -Lucerne District.¹⁴⁴ The low-interest loan for \$7 million has a 30-year term,

¹³⁸ Cal Water Testimony Book 3 at 29.

¹³⁹ Cal Water Testimony Book 3 at 16.

¹⁴⁰ Cal Water Testimony Book 3 at 16.

¹⁴¹ Cal Water Testimony Book 3 at 16.

¹⁴² Cal Water Testimony Book 3 at 16.

¹⁴³ Cal Water Testimony Book 3 at 16.

¹⁴⁴ Cal Water Testimony Book 3 at 5.

1 which is repaid through surcharges on Lucerne ratepayers’ bills.¹⁴⁵ As of year-end 2023,
2 the balance in the account was \$3.47 million, and Cal Water requests no action related to
3 this account in this GRC.¹⁴⁶

4 **G. Preliminary Statement AP: General District Balancing**
5 **Accounts (District BAs)**

6 *Requested Status: Remain open; authorize recovery of outstanding balances via a Tier 1*
7 *advice letter.*

8 According to the District BA Preliminary Statement, “[a] District BA may be
9 recoverable or refundable in a Tier 2 advice letter filing if the accumulated balance
10 exceeds 2% of gross adopted annual revenues...or by request in the next general rate
11 case.”¹⁴⁷ The status request should be granted, but the District BA must adhere to its
12 Preliminary Statement requirements and be recovered via a Tier 2 advice letter.¹⁴⁸

13 **H. Preliminary Statement BK: Conservation Regulation**
14 **Balancing Account (CRBA)**

15 *Requested Status: Remain open; no action requested.*

16 Cal Water incorrectly labeled the CRMA as the CRBA in its testimony in the
17 Table of Contents and in the account description.¹⁴⁹ This error should be corrected in the
18 final decision for this proceeding.

19

¹⁴⁵ Cal Water Testimony Book 3 at 5.

¹⁴⁶ Cal Water Testimony Book 3 at 5.

¹⁴⁷ Cal Water Testimony Book 3 at 14-15 as granted in D.14-08-011 at 73-74.

¹⁴⁸ See Preliminary Statement AP Section 3. Disposition.

¹⁴⁹ Cal Water Testimony Book 3 at ii and 24. The account description in Cal Water’s testimony demonstrates that the account is a Memorandum Account and not a Balancing Account, e.g.: “[the] [CRMA] is intended to record any incremental expenses...”

1 **I. Preliminary Statement BM: Palos Verdes Pipeline**
2 **Memorandum Account (PVPMA)**

3 *Requested Status: Remain open; no action requested*

4 Cal Water requested authority to open the Palos Verdes Pipeline 1 Memorandum
5 Account (PVP MA) in AL 2518, submitted on May 17, 2024, pursuant to D.24-03-042,
6 with an effective date of January 1, 2023.¹⁵⁰ The request is currently under review by
7 Water Division.¹⁵¹ AL 2518 was initially rejected, but was later approved in Resolution
8 W-5284.¹⁵²

9 According to Cal Water, “[the] PVP MA is tracking the carrying costs associated
10 with an additional \$14,775,805 in capital costs that were incurred to complete the Palos
11 Verdes Peninsula Water Reliability Project.”¹⁵³ Cal Water also states that it will file a
12 Tier 3 advice letter to amortize this account, so it does not request any action in this
13 GRC.”¹⁵⁴

14 **IV. CONCLUSION**

15 The Commission should grant Cal Water’s requested status for each account
16 discussed in Chapter 2. However, the Commission should deny Cal Water’s request to
17 recover the General District BA through a Tier 1 advice letter and should instead require
18 recovery through a Tier 2 advice letter, consistent with the disposition requirements in the
19 account’s Preliminary Statement.

¹⁵⁰ Cal Water Testimony Book 3 at 25.

¹⁵¹ Cal Water Testimony Book 3 at 25.

¹⁵² Resolution W-5284, effective date December 19, 2024.

¹⁵³ Cal Water Testimony Book 3 at 25.

¹⁵⁴ Cal Water Testimony Book 3 at 25.

ATTACHMENTS

LIST OF ATTACHMENTS FOR CHAPTER 1

	Attachment #	Description
1	Attachment 1-1	Qualifications of Witness
2	Attachment 1-2	Cal Water Partial Response 1 to Data Request KKE-002, Cal Water Partial Response 2 to Data Request KKE-002, Cal Water Response 3 (Final) to Data Request KKE-002.
3	Attachment 1-3	Cal Water Response to Data Request KKE-003 and Attachment 1 – Table.

ATTACHMENT 1-1:
Qualifications of Witness

1 **QUALIFICATIONS AND PREPARED TESTIMONY**
2 **OF**
3 **KERRIE EVANS**

4
5 Q.1 Please state your name and address.

6 A.1 Kerrie Evans
7 505 Van Ness Avenue
8 San Francisco, CA 94102
9

10 Q.2 By whom are you employed and what is your job title?

11 A.2 California Public Utilities Commission, Utilities Engineer
12

13 Q.3 Please describe your educational and professional experience.

14 A.3 Bachelor's degree in civil engineering. Over thirty years of professional
15 experience at the Commission working in Division of Ratepayer Advocates:
16 PG&E/SDG&E GRCs; and Resources section; Safety Branch: GO 95 and GO 125
17 inspections, propane system inspections; Water Division: GO 103, Class A-D
18 advice letter filings, Class B-D GRCs, ratepayer complaints; Office of Ratepayer
19 Advocates (ORA) and Public Advocates Water Branch: Class A GRCs, review
20 advice letter filings, write ORA protest letters.
21

22 Q.4 What is your area of responsibility in this proceeding?

23 A.4 SR Nos. 8, 9 and 10 overview of Balancing Account and Memorandum Accounts.
24

25 Q.5 Does that complete your prepared testimony?

26 A.5 Yes

ATTACHMENT 1-2:

Cal Water Partial Response 1 to Data Request KKE-002



CALIFORNIA WATER SERVICE COMPANY

Data Request KKE-002 Response (2024 GRC, A.24-07-003) – Page 1

RESPONSE TO DATA REQUEST

2024 GENERAL RATE CASE, A.24-07-003

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Date: Aug 22, 2024 Re: KKE-002 Subj: Special Request No. 8, delayed filing for Memo/Balancing Acct amortization and apparent DRMA2 data error	Request Received from CPUC: August 15, 2024 Requested Due Date: August 22, 2024 [7 days]
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Comments:

- **Partial Response #1 attached. Cal Water requests an extension to August 28, 2024, to respond to certain questions as identified below.**
- **Response provided by Rates.**
- **Does not contain confidential information.**
- **This response refers to the following attachments delivered via Kiteworks:**



- **Att. KKE-002 Q.1.iv(A) District BAs (12.31.2023)**
- **Att. KKE-002 Q.1.v(B) CEMA_COVID_2020-2023 Calculation**
- **Att. KKE-002 Q.1.v(B) COVID Bad Debt Calculation**
- **Att. KKE-002 Q.1.v(C) CEMA_COVID Invoices [zip file]**
- **Att. KKE-002 Q.1.v(C) COVID_CEMA Invoice Key**
- **Att. KKE-002 Q.1.vii(B) PSPS 2020-2023 Calculation**
- **Att. KKE-002 Q.1.vii(C) PSPS_MA List of AP Vouchers**
- **Att. KKE-002_Q.1.vii(C) PSPS Invoices [zip file]**

Data Requests and Responses

1. Special Request #8 (SR 8)

According Book #3, page 2, of Cal Water’s testimony, to determine the amounts in a balancing or memo account,

analysts in the Rates and Regulatory Accounting departments run queries in the financial systems based on the product and class code signifiers. Then they review the expenditures to determine whether they are incremental to authorized rates and otherwise meet the criteria of the Preliminary Statement of the account.

As Cal Water further explains, the utility:

does not expect employees to only track expenditures that are recoverable through a balancing or memo account. *Determining the costs that qualify for recovery requires knowledge of ratemaking and information about the specific costs approved in a general rate case, neither of which are available to the typical employee.”¹*

SR 8 requests amortization of the following balancing accounts:

- i. Conservation Expense Balancing Account (CEBA 5) Preliminary Statement Z5
- ii. Pension Cost Balancing Account (PCBA 5) Preliminary Statement AA5
- iii. Healthcare Cost Balancing Account (HCBA 5) Preliminary Statement AB5
- iv. General District Balancing Account (District BA) Preliminary Statement AP
- v. Catastrophic Event Memorandum Account (CEMA) Preliminary Statement AM
- vi. Asbestos Litigation Memorandum Account (ALMA) Preliminary Statement AS
- vii. Public Safety Shut-Off Memorandum Account (PSPS MA) Preliminary Statement AY
- viii. Drinking Water Fees Balancing Account (DWFBA) Preliminary Statement BF

Q.1.A) For each account listed above, please provide documentation supporting the total final dollar amount requested per each account’s Preliminary Statement.

Q.1.B) For each account listed above, with identification of relevant product and class code

¹ California Water Service Testimony Book #3, p. 2, FN 3 (emphasis added).



CALIFORNIA WATER SERVICE COMPANY

Data Request KKE-002 Response (2024 GRC, A.24-07-003) – Page 3

signifier(s), provide the calculation of the recorded dollar totals requested for amortization in this GRC.

- Q.1.C) For each account listed above, identify what expenses and dollar amounts included in the totals are covered by rates authorized in a GRC proceeding.
- Q.1.D) For each account listed above, provide invoices that document the expenses recorded for amortization, which are incremental to authorized rates.
- Q1.E) For any amount identified in response to Q.1.D) as incremental to authorized rates that is not associated with an invoiced expense, please explain the amount and provide justification for why it should be authorized, based on “knowledge of ratemaking and information about the specific costs approved in a general rate case...which are not available to the typical employee”² where applicable.

Responses:

- i. **Conservation Expense Balancing Account (CEBA 5) Preliminary Statement Z5**
- ii. **Pension Cost Balancing Account (PCBA 5) Preliminary Statement AA5**
- iii. **Healthcare Cost Balancing Account (HCBA 5) Preliminary Statement AB5**

Response to 1.A: The three accounts above are authorized to track the difference between adopted costs and actual costs over the 3-year period of 2023-2025. In the 2024 GRC, Cal Water is requesting authority to file advice letters to amortize the appropriate incremental amounts after the close that period, even if the 2% trigger for amortizing balancing accounts is not met. Cal Water is not requesting amortization of specific dollar amounts at this time.

Response to 1.B: The product codes for the above accounts are CEBA21, PCBA21, and HCBA21, respectively. Cal Water is not requesting amortization of specific dollar amounts at this time.

Response to 1.C: Cal Water’s subject matter expert (SME) for expenses is on vacation, returning on Monday, August 26. **Cal Water requests an extension to Wednesday, August 28, 2024, to respond to this question regarding the above accounts** so that Cal Water’s SME can review the data gathered in her absence.

Response to 1.D: Cal Water is not requesting amortization of specific dollar amounts at this time.

Response to 1.E: Cal Water is not requesting amortization of specific dollar amounts at this time.

- iv. **General District Balancing Account (District BA) Preliminary Statement AP**

Response to 1.A: In the 2024 GRC, Cal Water is requesting authority to file an advice letter to amortize the balances in the account after a final decision in this proceeding, even if the 2% trigger for amortizing balancing accounts is not met.

² California Water Service Testimony Book #3, p. 2, FN 3.



CALIFORNIA WATER SERVICE COMPANY

Data Request KKE-002 Response (2024 GRC, A.24-07-003) – Page 4

This is a catch-all account for all residual amounts (positive or negative) that remain after other balancing and memorandum accounts have been amortized over the authorized time period. Amortization periods end at different times depending upon the start of an amortization period and the amortization period length authorized by the Commission. Residuals are therefore moved into the General District Balancing Accounts at different times

Cal Water seeks to amortize the balance in the accounts at the time an advice letter requesting amortization is filed. For illustrative purposes, Cal Water provides workpapers showing the balances in this account as of December 31, 2023. **See “Att. KKE-002 Q.1.iv(A) District BAs (12.31.2023).”**

Response to 1.B: The product code for this account is DSBA. Cal Water is not requesting amortization of specific dollar amounts.

Response to 1.C: Recorded in General District Balancing Accounts are residuals of amounts for which the Commission has already authorized amortization via surcharge or surcredit, so any balances in these accounts would not be otherwise “covered by authorized in a GRC proceeding.”

Response to 1.D: Not applicable.

Response to 1.E: Not applicable.

v. **Catastrophic Event Memorandum Account (CEMA) Preliminary Statement AM**

Cal Water’s subject matter expert (SME) for expenses is on vacation, returning on Monday, August 26. **Cal Water requests an extension to Wednesday, August 28, 2024, to provide additional information in response to questions** about this account so that Cal Water’s SME can review the data gathered in her absence.

Response to 1.A: Cal Water requests authority to file an advice letter after a final decision in this proceeding is adopted in order to amortize via surcharge two categories of costs. First, Cal Water requests recovery of **\$2,097,650** in incremental expenses associated with CEMA events, including COVID. Second, Cal Water requests recovery of **\$2,103,237** for the amount of bad debt incurred during the COVID period adjusted by the buffer mandated in D.21-07-029.

Response to 1.B: The product codes associated with this request are CEMA and COVIDT. For the **\$2,097,650** in incremental expenses, see “**Att. KKE-002 Q.1.v(B) CEMA_COVID_2020-2023 Calculation.**” For the **\$2,103,237** in adjusted bad debt, see “**Att. KKE-002 Q.1.v(B) COVID Bad Debt Calculation.**”

Response to 1.C: The incremental expenses requested for recovery were incurred in 2020-2023. None of the requested amounts were authorized in a GRC proceeding for rates during that period. Because they were not anticipated to be recurring costs, they were removed from recorded data prior to applying an average to forecast expenses in both the 2021 GRC and the 2024 GRC.

Response to 1.D for the \$2,097,650 in incremental expenses: “**Att. KKE-002 Q.1.v(B) CEMA_COVID_2020-2023 Calculation**” includes a Summary Tab with potential costs for recovery and uses two methodologies to remove non-incremental amounts from the overall data. On subsequent tabs, detailed lists of costs are organized by type (CEMA vs. COVID) and year.



CALIFORNIA WATER SERVICE COMPANY

Data Request KKE-002 Response (2024 GRC, A.24-07-003) – Page 5

The AP Vouchers contained in the tabs of the **CEMA_COVID_2020-2023 Calculation** spreadsheet are also listed in another spreadsheet, “**Att. KKE-002 Q.1.v(C) COVID_CEMA Invoice Key.**” In the far right-hand column of the latter spreadsheet, each AP Voucher includes a comment like “Excluded,” an invoice number, or a blank. The items with invoice numbers are provided in the zip file called “**Att. KKE-002 Q.1.v(C) CEMA_COVID Invoices.**”

Cal Water has identified and provided numerous invoices that are representative of the expenses requested for recovery, but has not provided all invoices due to their high volume. **Cal Water proposes a meeting to walk Cal Advocates’ subject matter expert through the material provided.** If desired, the lists could be used to identify additional invoices for viewing.

Note that there will not be a direct correlation between the total costs requested for recovery and the sum of the amounts that appear on invoices because Cal Water has removed some costs from its recovery request, as noted above.

Response to 1.D for the \$2,103,237 in adjusted bad debt: There are no invoices associated with this request.

Response to 1.E for the \$2,097,650 in incremental expenses: Not applicable.

Response to 1.E for the \$2,103,237 in adjusted bad debt: The data contained in the “**Att. KKE-002 Q.1.v(B) COVID Bad Debt Calculation**” are from the 2018 GRC (for adopted uncollectibles), a Low-Income proceeding decision (for the buffer), or from system-generated data from Cal Water’s Accounting Department.

vi. **Asbestos Litigation Memorandum Account (ALMA) Preliminary Statement AS**

Response to 1.A: Cal Water requests authority to file an advice letter after a final decision in this proceeding is adopted in order to amortize via surcharges the amount of \$304,593 currently in this account. Since 2015, several lawsuits have been filed against Cal Water relating to alleged exposure to asbestos. Documentation of the specific legal expenses incurred will be provided in response to Question 1.D.

Response to 1.B: Product Code “ASBLIT” is associated with this account. Regarding calculations, Cal Water’s subject matter expert (SME) for expenses is on vacation, returning on Monday, August 26. **Cal Water requests an extension to Wednesday, August 28, 2024, to respond to this question** so that Cal Water’s SME can review the data gathered in her absence.

Response to 1.C: Costs requested for recovery were incurred starting in 2015. None of the requested amounts were authorized in a GRC proceeding for rates since 2015. Further, the 2018 GRC would have been the first GRC to include 2015 expenses in an expense forecast. For the 2018, 2021, and 2024 GRCs, the amounts requested for recovery in this GRC were removed from the recorded data prior to applying an average to forecast expenses because they were not anticipated to be recurring costs.

Response to 1.D: Regarding invoices, Cal Water’s subject matter expert (SME) for expenses is on vacation, returning on Monday, August 26. **Cal Water requests an extension to Wednesday, August 28, 2024, to respond to this question** so that Cal Water’s SME can review the data gathered in her absence

Response to 1.E: Not applicable.



vii. Public Safety Shut-Off Memorandum Account (PSPS MA) Preliminary Statement AY

Cal Water’s subject matter expert (SME) for expenses is on vacation, returning on Monday, August 26. **Cal Water requests an extension to Wednesday, August 28, 2024, to provide additional information in response to questions** about this account so that Cal Water’s SME can review the data gathered in her absence.

Response to 1.A: Cal Water requests authority to file an advice letter after a final decision in this proceeding is adopted in order to amortize via surcharge the amount of \$3,482,469 associated with preparing for and responding to “public safety shut-offs” by electric companies from 2020-2023.

Response to 1.B: The product code associated with this account is PUBSAF. See “**Att. KKE-002 Q.1.vii(B) PSPS 2020-2023 Calculation.**”

Response to 1.C: The incremental expenses requested for recovery were incurred in 2020-2023. None of the requested amounts were authorized in a GRC proceeding for rates during that period. Further, to the extent they were deemed to be non-recurring, they were removed from recorded data prior to applying an average to forecast expenses in both the 2021 GRC and the 2024 GRC.

Response to 1.D: “**Att. KKE-002 Q.1.vii(B) PSPS 2020-2023 Calculation**” includes a Summary Tab with potential costs for recovery and uses two methodologies to remove non-incremental amounts from the overall data. On subsequent tabs, detailed lists of costs are organized by year.

The AP Vouchers contained in the tabs of the **PSPS 2020-2023 Calculation** spreadsheet are also listed in another spreadsheet, “**Att. KKE-002 Q.1.vii(C) PSPS_MA List of AP Vouchers.**” In the latter spreadsheet, each AP Voucher a vendor name and an invoice ID. Column E of the spreadsheet indicates which invoices have been pulled and are provided in the zip file called “**Att. KKE-002 Q.1.vii(C) PSPS Invoices.**” In the zip file, invoices are organized by abbreviated vendor name, and then by invoice number.

Cal Water has identified and provided numerous invoices that are representative of the expenses requested for recovery, but has not provided all invoices due to their high volume. **Cal Water proposes a meeting to walk Cal Advocates’ subject matter expert through the material provided.** If desired, the lists could be used to identify additional invoices for viewing.

Note that there will not be a direct correlation between the total costs requested for recovery and the sum of the amounts that appear on invoices because Cal Water has removed some costs from its recovery request, as noted above.

Response to 1.E: Not applicable.

viii. Drinking Water Fees Balancing Account (DWFBA) Preliminary Statement BF

Responses to 1.A, 1.B, 1.C, 1.D, and 1.E: Cal Water’s subject matter expert (SME) for expenses is on vacation, returning on Monday, August 26. **Cal Water requests an extension to Wednesday, August 28, 2024, to respond to these questions** so that Cal Water’s SME can review the data gathered in her absence.



2. Delayed advice letter filings for Balancing and Memorandum Account Amortization

Response:

According to Testimony Book 3, page 4, Cal Water seeks flexibility in the timing of when surcharges or credits are applied to ratepayer bills due to amortization of a memo or balancing account. Further, Cal Water requests that “...an ordering paragraph authorizing amortization of a balancing or memo account provide a filing deadline that is at least 90 days from a final decision (rather than the more typical 30 or 60 days).”

Q.2.A) Please identify by number all Advice Letters (AL) that Cal Water has filed since 2020 to request amortization filing deadline extensions beyond the typical 30-60 days from the final decision.

Q.2.B) For each AL identified in response to Q.2.A), please provide the number of days past the typical 30-60 day filing period that the Commission approved for that AL.

Q.2.C) For each AL identified in response to Q.2.A), please indicate whether the relevant balancing or memorandum account balance accrued interest during the approved extension period.

Q.2.D) If interest accrued on the balancing or memorandum account balance during the extension, please provide the applicable interest rate and indicate where the Commission authorized the interest rate/accrued interest as an additional expense to be amortized with the account balance.

Response: Cal Water requests an extension to August 28, 2024, to respond to the above questions.

3. Rate Base Offsets

According to Testimony Book 3, page 4, in order to schedule rate changes so that multiple changes take effect on the same day, Cal Water “has gone so far as to delay increases from rate base offsets so that they can be implemented at the same time as another bill change, such as a steps filing or purchased water/pump tax increase.”

Q.3.A) Please identify, by AL Number and the relevant Rate Base Offsets account(s), what rate base offset amounts have been delayed from recovery in order for the bill increase to be implemented at the same time as other bill changes.

Q.3.B) Please indicate whether the delayed rate base offset amounts identified in response to Q.3.A) accrued interest during the delay in implementing the bill change.

Q.3.C) If interest accrued on the rate base offset amount, please provide the interest rate applied and indicate where the Commission authorized the interest rate/accrued interest as an additional expense to be amortized with the account balance.

Response: Cal Water requests an extension to August 28, 2024, to respond to the above questions.



4. Drought Memorandum Account (DRMA2)

Testimony Book # 1, pages 74-75, states that drought expenses tracked in Cal Water’s DRMA2 and requested for recovery through AL 2490 are excluded from 2022 for *six* districts, including Bakersfield, Bayshore, Chico, Kern River Valley, Palos Verdes, Salinas, and Westlake. Page 76, however, states that drought expenses tracked in DRMA2 and requested for recovery through AL 2490 are excluded from 2022 for *thirteen* districts, including Bakersfield, Bayshore, Bear Gulch, Chico, East Los Angeles, Hermosa Redondo, Kern River Valley, Livermore, Los Altos, Palos Verdes, Visalia, Westlake and Willows.

Q.4. Please explain the discrepancy in the number of districts’ DRMA2 expenses that Cal Water excluded from recovery for 2022 as stated on pages 74-75 and page 76. If the discrepancy is due to an error, please provide the correct(ed) list of excluded districts.

Response: In Testimony Book #1, Chapter 5 is organized according to expense category within the broader categories of operations & maintenance (O&M) and administrative & general (A&G) expenses. The removal of drought-related expenses that are associated with cost recovery through the Drought Memorandum Account 2 is mentioned in several sections throughout the chapter because expenses removed in several different categories. Therefore, the references on pages 74-75 and on page 76 are not inconsistent because the first reference is for Customer Accounting expenses, and the second reference is for Conservation expenses.

ATTACHMENT 1-2:

Cal Water Partial Response 2 to Data Request KKE-002

RESPONSE TO DATA REQUEST
2024 GENERAL RATE CASE, A.24-07-003

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Date: Aug 28, 2024 Re: KKE-002 Subj: Special Request No. 8, delayed filing for Memo/Balancing Acct amortization and apparent DRMA2 data error	Request Received from CPUC: August 15, 2024 Requested Due Date: August 22, 2024 [7 days] Requested Extension to: August 28, 2024 Requested Extension to: Sept. 6, 2024
--	---

Comments:

- **Partial Response #2 attached.** For sections v. and vi. of Question 1 relating to the CEMA and the Asbestos Litigation Memo Account, Cal Water requests **an extension to Friday, September 6, 2024**, to determine whether the amortization requests associated with those accounts should be modified.
- **Response provided by Rates.** Original responses are in purple font. Modifications and additions

are in blue font.

- This document does not contain confidential information.
- Partial Response #1 refers to the following attachments delivered via Kiteworks:
 - Att. KKE-002 Q.1.iv(A) District BAs (12.31.2023)
 - Att. KKE-002 Q.1.v(B) CEMA_COVID_2020-2023 Calculation
 - Att. KKE-002 Q.1.v(B) COVID Bad Debt Calculation
 - Att. KKE-002 Q.1.v(C) CEMA_COVID Invoices [zip file]
 - Att. KKE-002 Q.1.v(C) COVID_CEMA Invoice Key
 - Att. KKE-002 Q.1.vii(B) PSPS 2020-2023 Calculation
 - Att. KKE-002 Q.1.vii(C) PSPS_MA List of AP Vouchers
 - Att. KKE-002_Q.1.vii(C) PSPS Invoices [zip file]
- Partial Response #2 refers to the following attachments:
 - Att. KKE-002 Q.1 Adjustments in 2018-2024 GRCs
 - Att. KKE-002 Q.1.i(C) CEBA5 Calculations
 - Att. KKE-002 Q.1.ii(C) PCBA5 Calculations
 - Att. KKE-002 Q.1.iii(C) HCBA5 Calculations
 - Att. KKE-002 Q.1.viii(B) DWFBA Calculations
 - Att. KKE-002 Q.1.viii(D) DWFBA Invoices [zip file]
 - Att. KKE-002 Q.2(D) Monthly Interest Rates
 - Att. KKE-002 Q.2(D) Monthly Interest Rates

Data Requests and Responses

1. Special Request #8 (SR 8)

According to Book #3, page 2, of Cal Water's testimony, to determine the amounts in a balancing or memo account,

analysts in the Rates and Regulatory Accounting departments run queries in the financial systems based on the product and class code signifiers. Then they review the expenditures to determine whether they are incremental to authorized rates and otherwise meet the criteria of the Preliminary Statement of the account.

As Cal Water further explains, the utility:

does not expect employees to only track expenditures that are recoverable through a balancing or memo account. *Determining the costs that qualify for recovery requires knowledge of ratemaking and information about the specific costs approved in a general rate case, neither of which are available to the typical employee.*¹

SR 8 requests amortization of the following balancing accounts:

- i. Conservation Expense Balancing Account (CEBA 5) Preliminary Statement Z5

¹ California Water Service Testimony Book #3, p. 2, FN 3 (emphasis added).

- ii. Pension Cost Balancing Account (PCBA 5) Preliminary Statement AA5
- iii. Healthcare Cost Balancing Account (HCBA 5) Preliminary Statement AB5
- iv. General District Balancing Account (District BA) Preliminary Statement AP
- v. Catastrophic Event Memorandum Account (CEMA) Preliminary Statement AM
- vi. Asbestos Litigation Memorandum Account (ALMA) Preliminary Statement AS
- vii. Public Safety Shut-Off Memorandum Account (PSPS MA) Preliminary Statement AY
- viii. Drinking Water Fees Balancing Account (DWFBA) Preliminary Statement BF

Q.1.A) For each account listed above, please provide documentation supporting the total final dollar amount requested per each account’s Preliminary Statement.

Q.1.B) For each account listed above, with identification of relevant product and class code signifier(s), provide the calculation of the recorded dollar totals requested for amortization in this GRC.

Q.1.C) For each account listed above, identify what expenses and dollar amounts included in the totals are covered by rates authorized in a GRC proceeding.

Q.1.D) For each account listed above, provide invoices that document the expenses recorded for amortization, which are incremental to authorized rates.

Q1.E) For any amount identified in response to Q.1.D) as incremental to authorized rates that is not associated with an invoiced expense, please explain the amount and provide justification for why it should be authorized, based on “knowledge of ratemaking and information about the specific costs approved in a general rate case...which are not available to the typical employee”² where applicable.

Responses:

Overview of Cal Water’s Methodology for Identifying Incremental Costs

Cal Water takes the following steps before seeking cost recovery pursuant to a memo account.

- (1) Identifies the costs appropriate for consideration because they are tagged with the relevant product code, or because they are otherwise identifiable (for example, through a Purchase Order, Invoice, or Voucher number).
- (2) Expenses must have been incurred during the appropriate time period for which the memo account is authorized.
- (3) Certain categories of costs are excluded because, by their nature, they are generally ineligible for recovery.
 - a. A tab labelled “Assumptions” is included in the workpapers and lists the accounts that should be excluded, including clearing accounts and labor allocations. For expenses, capital-related accounts such as construction overhead and retirements

² California Water Service Testimony Book #3, p. 2, FN 3.

are also excluded.

- b. For this analysis, Cal Water uses the Summary of Earnings (“SOE”) keys from the Results of Operations Model (“ROM”) to filter out ineligible expense categories.

- (4) Confirm that non-recurring costs are removed from recorded data for the purposes of forecasting expenses in the current GRC. (To the extent that any expenses were incurred in earlier GRC periods, Cal Water confirms that the non-recurring expenses were also removed for the purposes of forecasting expenses in previous GRCs. See Att. KKE-002 Q.1 Adjustments in 2018-2024 GRCs.)

Additional Incrementality Analysis - Depending on the nature of the unanticipated events that allowed for the creation of a memo account, certain memo accounts are broad and track a variety of costs across numerous cost categories and accounts. They may also involve assistance provided by employees from other ratemaking areas (while labor costs are generally not incremental to rates, travel, lodging, and similar costs associated with the activity may be incremental).

In this GRC, these criteria are met by the following memo account costs for which Cal Water is requesting amortization: **(1) PSPS Memo Account, (2) the COVID activities tracked in the CEMA, and (3) the numerous other emergencies (wildfires, excessive heat, etc.) that triggered the CEMA in the past few years.** For these costs, Cal Water has taken additional steps to determine incrementality.

- (5) Cal Water identified the year in which a cost was incurred, and the amount included in rates for that year according to the SOE key associated with the cost.
- (6) Cal Water pulled the costs in that SOE key recorded for that year.
- (7) For SOE keys in which recorded costs exceeded adopted costs, Cal Water identified the cost as incremental to rates.

Steps 2, 3, 5, 6, and 7 are demonstrated in the attached workpapers provided for the three categories of memo account costs identified above.

- i. **Conservation Expense Balancing Account (CEBA 5) Preliminary Statement Z5**
- ii. **Pension Cost Balancing Account (PCBA 5) Preliminary Statement AA5**
- iii. **Healthcare Cost Balancing Account (HCBA 5) Preliminary Statement AB5**

Response to 1.A for all three accounts: The three accounts above are authorized to track the difference between adopted costs and actual costs over the 3-year period of 2023-2025. In the 2024 GRC, Cal Water is requesting authority to file advice letters to amortize the appropriate incremental amounts after the close that period, even if the 2% trigger for amortizing balancing accounts is not met. Cal Water is not requesting amortization of specific dollar amounts at this time.

Response to 1.B for all three accounts: The product codes for the above accounts are CEBA21, PCBA21, and HCBA21, respectively. Cal Water is not requesting amortization of specific dollar amounts at this time.

Response to 1.C: As of June 30, 2024, the balances are estimated to be as follows:.

- For the CEBA5, an over-collection of \$1,107,096 as shown in “**Att. KKE-002 Q.1.i(C) CEBA5 Calculations.**”
- For the PCBA5, an over-collection of \$12,612,021 as shown in “**Att. KKE-002 Q.1.ii(C) PCBA5 Calculations.**”
- For the HCBA5, an over-collection of \$2,891,298 as shown in “**Att. KKE-002 Q.1.iii(C) HCBA5 Calculations.**”

Response to 1.D for all three accounts: Cal Water is not requesting amortization of specific dollar amounts at this time.

Response to 1.E for all three accounts: Cal Water is not requesting amortization of specific dollar amounts at this time.

iv. General District Balancing Account (District BA) Preliminary Statement AP

Response to 1.A: In the 2024 GRC, Cal Water is requesting authority to file an advice letter to amortize the balances in the account after a final decision in this proceeding, even if the 2% trigger for amortizing balancing accounts is not met.

This is a catch-all account for all residual amounts (positive or negative) that remain after other balancing and memorandum accounts have been amortized over the authorized time period. Amortization periods end at different times depending upon the start of an amortization period and the amortization period length authorized by the Commission. Residuals are therefore moved into the General District Balancing Accounts at different times

Cal Water seeks to amortize the balance in the accounts at the time an advice letter requesting amortization is filed. For illustrative purposes, Cal Water provides workpapers showing the balances in this account as of December 31, 2023. **See “Att. KKE-002 Q.1.iv(A) District BAs (12.31.2023).”**

Response to 1.B: The product code for this account is DSBA. Cal Water is not requesting amortization of specific dollar amounts.

Response to 1.C: Recorded in General District Balancing Accounts are residuals of amounts for which the Commission has already authorized amortization via surcharge or surcredit, so any balances in these accounts would not be otherwise “covered by authorized in a GRC proceeding.”

Response to 1.D: Not applicable.

Response to 1.E: Not applicable.

v. Catastrophic Event Memorandum Account (CEMA) Preliminary Statement AM

Cal Water requests **an extension to Friday, September 6, 2024**, to respond to these questions regarding the CEMA so that it can determine whether this amortization request should be modified.

Response to 1.A: Cal Water requests authority to file an advice letter after a final decision

in this proceeding is adopted in order to amortize via surcharge two categories of costs. First, Cal Water requests recovery of **\$2,097,650** in incremental expenses associated with CEMA events, including COVID. Second, Cal Water requests recovery of **\$2,103,237** for the amount of bad debt incurred during the COVID period adjusted by the buffer mandated in D.21-07-029.

Response to 1.B: The product codes associated with this request are CEMA and COVIDT. For the **\$2,097,650** in incremental expenses, see “**Att. KKE-002 Q.1.v(B) CEMA_COVID_2020-2023 Calculation.**” For the **\$2,103,237** in adjusted bad debt, see “**Att. KKE-002 Q.1.v(B) COVID Bad Debt Calculation.**”

Response to 1.C: The incremental expenses requested for recovery were incurred in 2020-2023. None of the requested amounts were authorized in a GRC proceeding for rates during that period. Because they were not anticipated to be recurring costs, they were removed from recorded data prior to applying an average to forecast expenses in [the 2018 GRC](#), [the 2021 GRC](#), and [the 2024 GRC](#). See “**Att. KKE-002 Q.1 Adjustments in 2018-2024 GRCs.**”

Response to 1.D for the \$2,097,650 in incremental expenses: “**Att. KKE-002 Q.1.v(B) CEMA_COVID_2020-2023 Calculation**” includes a Summary Tab with potential costs for recovery and uses two methodologies to remove non-incremental amounts from the overall data. On subsequent tabs, detailed lists of costs are organized by type (CEMA vs. COVID) and year.

The AP Vouchers contained in the tabs of the **CEMA_COVID_2020-2023 Calculation** spreadsheet are also listed in another spreadsheet, “**Att. KKE-002 Q.1.v(C) COVID_CEMA Invoice Key.**” In the far right-hand column of the latter spreadsheet, each AP Voucher includes a comment like “Excluded,” an invoice number, or a blank. The items with invoice numbers are provided in the zip file called “**Att. KKE-002 Q.1.v(C) CEMA_COVID Invoices.**”

Cal Water has identified and provided numerous invoices that are representative of the expenses requested for recovery, but has not provided all invoices due to their high volume. **Cal Water proposes a meeting to walk Cal Advocates’ subject matter expert through the material provided.** If desired, the lists could be used to identify additional invoices for viewing.

Note that there will not be a direct correlation between the total costs requested for recovery and the sum of the amounts that appear on invoices because Cal Water has removed some costs from its recovery request, as noted above.

Response to 1.D for the \$2,103,237 in adjusted bad debt: There are no invoices associated with this request.

Response to 1.E for the \$2,097,650 in incremental expenses: Not applicable.

Response to 1.E for the \$2,103,237 in adjusted bad debt: The data contained in the “**Att. KKE-002 Q.1.v(B) COVID Bad Debt Calculation**” are from the 2018 GRC (for adopted uncollectibles), a Low-Income proceeding decision (for the buffer), or from system-generated data from Cal Water’s Accounting Department.

Cal Water requests [an extension to Friday, September 6, 2024](#), to respond to these questions regarding the ALMA so that it can determine whether this amortization request should be modified.

Response to 1.A: Cal Water requests authority to file an advice letter after a final decision in this proceeding is adopted in order to amortize via surcharges the amount of \$304,593 currently in this account. Since 2015, several lawsuits have been filed against Cal Water relating to alleged exposure to asbestos. Documentation of the specific legal expenses incurred will be provided in response to Question 1.D. [Additional responses to this question are pending further investigation.](#)

Response to 1.B: Product Code “ASBLIT” is associated with this account. [Additional responses to this question are pending further investigation.](#)

Response to 1.C: Costs requested for recovery were incurred starting in 2015. None of the requested amounts were authorized in a GRC proceeding for rates since 2015. Further, the 2018 GRC would have been the first GRC to include 2015 expenses in an expense forecast. For the 2018, 2021, and 2024 GRCs, the amounts requested for recovery in this GRC were removed from the recorded data prior to applying an average to forecast expenses because they were not anticipated to be recurring costs. See [“Att. KKE-002 Q.1 Adjustments in ROM.”](#)

Response to 1.D: [Additional responses to this question are pending further investigation.](#)

Response to 1.E: Not applicable.

vii. **Public Safety Shut-Off Memorandum Account (PSPS MA) Preliminary Statement AY**

Response to 1.A: Cal Water requests authority to file an advice letter after a final decision in this proceeding is adopted in order to amortize via surcharge the amount of \$4,342,469 associated with preparing for and responding to “public safety shut-offs” by electric companies from 2020-2023.

The Commission first issued guidance on proactive de-energization to mitigate wildfire risk in 2012.³ Following the devastating 2017 and 2018 wildfire seasons, the CPUC issued an Order Instituting Rulemaking to Examine Electric Utility De-Energization of Power Lines in Dangerous Conditions (“PSPS Rulemaking”) to review its de-energization rules in response to increasing frequency and severity of wildfires. While Cal Water’s systems were not damaged by the Camp or Woolsey fires in 2018, the Camp fire occurred very close to Cal Water’s Chico District, and the Woolsey fire took place partially in Cal Water’s Westlake District.

On June 6, 2019, the CPUC issued Decision (“D.”) 19-05-042 adopting “Phase 1 Guidelines” related to PSPS. Cal Water submitted Advice Letter (“AL”) 2342 on June 11, 2024, requesting the establishment of a new PSPS Memorandum (“Memo”) Account to track incremental Operations and Maintenance (“O&M”) expenses and carrying costs for new facilities to address public health and safety needs in the event of a PSPS event. The PSPS Memo Account also includes advances preparation costs to ensure the utility is able to meet water system needs prior to an event occurring. A supplement was submitted on

³ D.12-04-024

November 21, 2019 (AL 2342-A) and the Water Division issued its approval letter on January 31, 2020, preserving the original requested effective date of June 11, 2019.

From 2020 through 2023, there were nearly 31,000 wildfires across California, burning over 7.5 million acres and damaging or destroying 16,706 structures. Over this same period, the electric utilities serving Cal Water's operating areas have reported 54 PSPS events to the CPUC. While not all of these reported events directly impacted Cal Water, the company must maintain a high level of preparedness given continuing occurrence of PSPS events.

To mitigate the impacts of PSPS on water system operations, Cal Water assessed its facilities to identify those requiring backup generation. Not only did Cal Water consider which of its facilities are supplied by circuits likely impacted by PSPS, but also what other areas and facilities are supplied by those circuits to more completely address the potential impacts of de-energization. Beyond other wildfire mitigation system hardening activities, priority was given to critical facilities potentially impacted by PSPS events, particularly those facilities not originally identified in the PSPS program.

To maintain system operations in the event of a PSPS were to occur, Cal Water sought to deploy backup generation equipment at critical facilities throughout its service areas. While Cal Water had general emergency preparedness efforts prior to the PSPS Rulemaking, the increasing wildfire threat and the CPUC's PSPS guidelines increased the urgency in preparing for extended de-energization events. Cal Water is proactive in mitigating the potential PSPS impacts to its facilities and downstream impacts to customers, communities and firefighters. Initially Cal Water rented generators and equipment across most of its systems for the 2020 wildfire season due to the increased use of PSPS by electric utilities to mitigate wildfire risk. This entailed not only identifying appropriate rental equipment to meet the energy demands of critical facilities, but also deploying the equipment, installing and removal the electrical equipment using qualified electricians, securing the necessary permits, and modifying operations in preparation of extended electrical outages due to PSPS.

In the 2024 GRC, Cal Water is seeking CPUC approval to amortize \$4,342,469 in costs tracked in the PSPS MA. Essentially all of the costs proposed for recovery are due to the rental of temporary generators and related equipment. These costs not only include the temporary generators themselves, but also the necessary equipment and materials to integrate the generator with the existing water facilities. This may include power cables, transfer switches and other electrical controls, and secondary containment structures and other safety equipment. In addition to the temporary generators and equipment, a very small amount of contracted services are also included in the proposed amortization. These contracted services account for less than one percent of the direct charges and again, are mostly due to temporary generators and equipment. Also, as Cal Water has installed permanent backup generation equipment, costs for rentals generators and equipment has gone down in recent years.

Response to 1.B: The product code associated with this account is PUBSAF. See "**Att. KKE-002 Q.1.vii(B) PSPS 2020-2023 Calculation.**"

Response to 1.C: The incremental expenses requested for recovery were incurred in 2020-2023. None of the requested amounts were authorized in a GRC proceeding for rates during that period. Further, to the extent they were deemed to be non-recurring, they

were removed from recorded data prior to applying an average to forecast expenses in both the 2021 GRC and the 2024 GRC. See “**Att. KKE-002 Q.1 Adjustments in 2018-2024 GRCs.**”

Response to 1.D: “Att. KKE-002 Q.1.vii(B) PSPS 2020-2023 Calculation” includes a Summary Tab with potential costs for recovery and uses two methodologies to remove non-incremental amounts from the overall data. On subsequent tabs, detailed lists of costs are organized by year.

The AP Vouchers contained in the tabs of the **PSPS 2020-2023 Calculation** spreadsheet are also listed in another spreadsheet, “**Att. KKE-002 Q.1.vii(C) PSPS_MA List of AP Vouchers.**” In the latter spreadsheet, each AP Voucher a vendor name and an invoice ID. Column E of the spreadsheet indicates which invoices have been pulled and are provided in the zip file called “**Att. KKE-002 Q.1.vii(C) PSPS Invoices.**” In the zip file, invoices are organized by abbreviated vendor name, and then by invoice number.

Cal Water has identified and provided numerous invoices that are representative of the expenses requested for recovery, but has not provided all invoices due to their high volume. **Cal Water proposes a meeting to walk Cal Advocates’ subject matter expert through the material provided.** If desired, the lists could be used to identify additional invoices for viewing.

Note that there will not be a direct correlation between the total costs requested for recovery and the sum of the amounts that appear on invoices because Cal Water has removed some costs from its recovery request, as noted above.

Response to 1.E: Not applicable.

viii. Drinking Water Fees Balancing Account (DWFBA) Preliminary Statement BF

Response to 1A: Cal Water requests net recovery of \$1,332,802 amortized through base rates over the three-year rate case cycle of 2026-2028. This is consistent with Section 4 of Preliminary Statement BF and Ordering Paragraph 3 of D.06-04-037, which states:

Class A water utilities shall report on the status of their balancing accounts in their general rate cases and shall propose adjustments to their rates in that context to amortize under- or over-collections in those accounts subject to reasonableness review.

The DWFBA was authorized in AL 2497-A because of the significant adjustment to the drinking water fees charged by the State Water Resources Control Board starting in 2021. The incremental expenses requested for recovery were incurred for the period of July 2021-December 2023. The balance tracked in the DWFBA represents the difference between the drinking water fees included in rates for that period, and the drinking water fees incurred for that period.

Please note that page 22 of Testimony Book #3 indicated that the balance in the DWFBA was \$1,377,674 as of 2023 year-end, however that was an earlier estimate that proved to be erroneous.

Response to 1B: There is no product code associated with this account. See “**Att. KKE-**

002 Q.1.viii(B) DWFBA Calculations.”

Response to 1C: For the 2024 GRC, “Att. KKE-002 Q.1 Adjustments in 2018-2024 GRCs” shows that all drinking water fees were removed from the 5-year recorded average before the forecast was calculated for test year 2026. The net amount requested through the DWFBA (\$1,332,802) was then added back in for recovery (or in some cases as a refund) over the rate case period of 2026-2028.

Response to 1D: Since there over 100 invoices for this account, a sample of 10 invoices are provided in the folder called “Att. KKE-002 Q.1.viii(D) DWFBA Invoices.” All invoices are listed in the “GL Entries” tab of “Att. KKE-002 Q.1.viii(B) DWFBA Calculations.” Cal Water suggests that additional invoices requested be identified from that list.

2. Delayed advice letter filings for Balancing and Memorandum Account Amortization Response:

According to Testimony Book 3, page 4, Cal Water seeks flexibility in the timing of when surcharges or credits are applied to ratepayer bills due to amortization of a memo or balancing account. Further, Cal Water requests that “...an ordering paragraph authorizing amortization of a balancing or memo account provide a filing deadline that is at least 90 days from a final decision (rather than the more typical 30 or 60 days).”

Q.2.A) Please identify by number all Advice Letters (AL) that Cal Water has filed since 2020 to request amortization filing deadline extensions beyond the typical 30-60 days from the final decision.

Response: See Table 1 below.

Decision / Advice Letter	Decision Issued	AL Filed	Topic	Days from Issuance
D.20-12-007	12/11/2020		2018 GRC Decision	
2406		3/16/2021	PCBA/HCBA Amortization	95
2409		4/6/2021	Gen Dist BA Amortization	116
2410		4/6/2021	IRMA Amortization	116
D.24-03-042	3/15/2024		2021 GRC Decision	
2521		6/5/2024	BAMA Amortization	82
2527		8/14/2024	IRMA Amortization	152

Q.2.B) For each AL identified in response to Q.2.A), please provide the number of days past the typical 30-60 day filing period that the Commission approved for that AL.

Response: See Table 1 above.

Q.2.C) For each AL identified in response to Q.2.A), please indicate whether the relevant balancing or memorandum account balance accrued interest during the approved extension period.

Response: For the above advice letters filed in 2021, interest only accrued while the

accounts were considered “active.” For example, the PCBA and HCBA were only “active” in 2017-2019 while recorded costs were being compared to adopted costs. Interest was not added (positive or negative) between the end of the active period and when the advice letter was filed – which, due to the delayed GRC decision, was actually a period of 440 days (1/1/2020 to 3/16/21). Because 90-day Commercial Paper rates were historically so low, this was the approach that Cal Water took for almost all balancing and memo accounts until recently.

Starting in 2023, the 90-day Commercial Paper Rate increased dramatically. For AL 2521, interest was included in the balances up through December 2023 or April 2024, and for AL 2527 interest was included in the balances up through May 2024. (Note that AL 2521 has been rejected, but will be re-filed soon.)

Q.2.D) If interest accrued on the balancing or memorandum account balance during the extension, please provide the applicable interest rate and indicate where the Commission authorized the interest rate/accrued interest as an additional expense to be amortized with the account balance.

Response: Each preliminary statement for the amortizations requested in 2024 includes a provision indicating that the 90-day Commercial Paper rate is to be applied to the balances for the duration of the accounts. The specific section in each preliminary statement (“prelim.”) is indicated below.

- For AL 2521, see section 4(c) of Prelim. AI, section 4(c) of Prelim. AX, and section 3(b) of Prelim. AP.
- For AL 2527, see section 4(a)(iii) of Prelim. BD.

For amortization of Chromium 6 and Lead Service Line balances in AL 2521 and the IRMA balances in AL 2527, interest was applied on a monthly basis at the rates provided in “**Att. KKE-002 Q.2(D) Monthly Interest Rates.**” For amortization of the General District Balancing Accounts, interest was applied on an annual basis at the rates provided in “**Att. KKE-002 Q.2(D) Annual Interest Rates.**”

3. Rate Base Offsets

According to Testimony Book 3, page 4, in order to schedule rate changes so that multiple changes take effect on the same day, Cal Water “has gone so far as to delay increases from rate base offsets so that they can be implemented at the same time as another bill change, such as a steps filing or purchased water/pump tax increase.”

Q.3.A) Please identify, by AL Number and the relevant Rate Base Offsets account(s), what rate base offset amounts have been delayed from recovery in order for the bill increase to be implemented at the same time as other bill changes.

Response: See Table 2 below.

Advice Letter #	Project ID	Delayed Revenue Recovery	AL Filed Date
2256	64433	\$ 63,697	3/16/2017
2256	76395	\$ 294,623	3/16/2017
2296	99296	\$ 4,025	3/15/2018
2296	63402	\$ 7,681	3/15/2018
2296	20141	\$ 45,437	3/15/2018
2297	20196	\$ 30,444	3/15/2018
2297	12922	\$ 9,261	3/15/2018
2298	64502	\$ 84,076	3/15/2018
2325-B	100482	\$ 48,162	11/16/2018
2326-A	98722	\$ 29,418	11/20/2018
2327-A	98846	\$ 8,505	11/21/2018
2327-A	98854	\$ 8,293	11/21/2018
2328-A	99369	\$ 28,343	11/20/2018
2353	76316	\$ 113,712	10/18/2019
2360	99167	\$ 12,583	12/20/2019
2360	99169	\$ 7,609	12/20/2019
2360	199181	\$ 6,913	12/20/2019
2360	99856	\$ 971	12/20/2019
2360	99182	\$ 1,823	12/20/2019
2434	114525	\$ 54,054	11/17/2021
	Total	\$ 859,630	

Q.3.B) Please indicate whether the delayed rate base offset amounts identified in response to Q.3.A) accrued interest during the delay in implementing the bill change.

Response: Interest cannot be accrued for delays in seeking recovery for rate base offset filings.

Q.3.C) If interest accrued on the rate base offset amount, please provide the interest rate applied and indicate where the Commission authorized the interest rate/accrued interest as an additional expense to be amortized with the account balance.

Response: Not applicable.

4. Drought Memorandum Account (DRMA2)

Testimony Book # 1, pages 74-75, states that drought expenses tracked in Cal Water's DRMA2 and requested for recovery through AL 2490 are excluded from 2022 for six districts, including Bakersfield, Bayshore, Chico, Kern River Valley, Palos Verdes, Salinas, and Westlake. Page 76, however, states that drought expenses tracked in DRMA2 and requested for recovery through AL 2490 are excluded from 2022 for *thirteen* districts, including Bakersfield, Bayshore, Bear Gulch, Chico, East Los Angeles, Hermosa Redondo, Kern River Valley, Livermore, Los Altos, Palos Verdes, Visalia, Westlake and Willows.

Q.4. Please explain the discrepancy in the number of districts' DRMA2 expenses that Cal Water excluded from recovery for 2022 as stated on pages 74-75 and page 76. If the discrepancy is due to an error, please provide the correct(ed) list of excluded districts.

Response: In Testimony Book #1, Chapter 5 is organized according to expense category within the broader categories of operations & maintenance (O&M) and administrative & general (A&G) expenses. The removal of drought-related expenses that are associated with cost recovery through the Drought Memorandum Account 2 is mentioned in several sections throughout the chapter because expenses removed in several different categories. Therefore, the references on pages 74-75 and on page 76 are not inconsistent because the first reference is for Customer Accounting expenses, and the second reference is for Conservation expenses.

ATTACHMENT 1-2:

Cal Water Response 3 (Final) to Data Request KKE-002



RESPONSE TO DATA REQUEST
2024 GENERAL RATE CASE, A.24-07-003

To: **Public Advocates Office**

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Date: Sept. 6, 2024	Request Received from CPUC: August 15, 2024
Re: KKE-002	Requested Due Date: August 22, 2024
Subj: Special Request No. 8, delayed filing for Memo/Balancing Acct amortization and apparent DRMA2 data error	[7 days]
	Requested Extension to: August 28, 2024
	Requested Extension to: Sept. 6, 2024

Comments:

- **The last response to this data request, Response #3, modifications and additions in this final response are in green font. Response #3 refers to a zip file with confidential information.**
- **Partial Response #2 attached.** For sections v. and vi. of Question 1 relating to the CEMA and the Asbestos Litigation Memo Account, Cal Water requests **an extension to Friday, September 6, 2024**, to determine whether the amortization requests associated with those accounts should be



modified.

- Response provided by Rates. Original responses are in purple font. Modifications and additions in Response #2 are in blue font.
- This document does not contain confidential information.
- Partial Response #1 refers to the following attachments delivered via Kiteworks:
 - Att. KKE-002 Q.1.iv(A) District BAs (12.31.2023)
 - Att. KKE-002 Q.1.v(B) CEMA_COVID_2020-2023 Calculation
 - Att. KKE-002 Q.1.v(B) COVID Bad Debt Calculation
 - Att. KKE-002 Q.1.v(C) CEMA_COVID Invoices [zip file]
 - Att. KKE-002 Q.1.v(C) COVID_CEMA Invoice Key
 - Att. KKE-002 Q.1.vii(B) PSPS 2020-2023 Calculation
 - Att. KKE-002 Q.1.vii(C) PSPS_MA List of AP Vouchers
 - Att. KKE-002_Q.1.vii(C) PSPS Invoices [zip file]
- Partial Response #2 refers to the following attachments:
 - Att. KKE-002 Q.1 Adjustments in 2018-2024 GRCs
 - Att. KKE-002 Q.1.i(C) CEBA5 Calculations
 - Att. KKE-002 Q.1.ii(C) PCBA5 Calculations
 - Att. KKE-002 Q.1.iii(C) HCBA5 Calculations
 - Att. KKE-002 Q.1.viii(B) DWFBA Calculations
 - Att. KKE-002 Q.1.viii(D) DWFBA Invoices [zip file]
 - Att. KKE-002 Q.2(D) Monthly Interest Rates
 - Att. KKE-002 Q.2(D) Monthly Interest Rates
- **Response #3 refers to the following attachments:**
 - **Att. KKE-002 Q.1.i(C) CEBA5 Calculations Updated**
 - **Att. KKE-002 Q.1.v(A) CEMA Narrative**
 - **Att. KKE-002 Q.1.v(A) COVID Narrative**
 - **Att. KKE-002 Q.1.v(B) CEMA_COVID_Calculation Updated**
 - **Att. KKE-002 Q.1.vi(A) Asbestos Narrative**
 - **Att. KKE-002 Q.1.vi(B) Asbestos Original Calculation**
 - **Att. KKE-002 Q.1.vi(B) Asbestos Updated Calculation**
 - **Att. KKE-002 Q.1.vi(D) ALMA Confidentiality Memo**
 - **CONFIDENTIAL Att. KKE-002 Q.1.vi(D) Asbestos Legal Invoices [zip file]**



Data Requests and Responses

1. Special Request #8 (SR 8)

According to Book #3, page 2, of Cal Water’s testimony, to determine the amounts in a balancing or memo account,

analysts in the Rates and Regulatory Accounting departments run queries in the financial systems based on the product and class code signifiers. Then they review the expenditures to determine whether they are incremental to authorized rates and otherwise meet the criteria of the Preliminary Statement of the account.

As Cal Water further explains, the utility:

does not expect employees to only track expenditures that are recoverable through a balancing or memo account. *Determining the costs that qualify for recovery requires knowledge of ratemaking and information about the specific costs approved in a general rate case, neither of which are available to the typical employee.*¹

SR 8 requests amortization of the following balancing accounts:

- i. Conservation Expense Balancing Account (CEBA 5) Preliminary Statement Z5
- ii. Pension Cost Balancing Account (PCBA 5) Preliminary Statement AA5
- iii. Healthcare Cost Balancing Account (HCBA 5) Preliminary Statement AB5
- iv. General District Balancing Account (District BA) Preliminary Statement AP
- v. Catastrophic Event Memorandum Account (CEMA) Preliminary Statement AM
- vi. Asbestos Litigation Memorandum Account (ALMA) Preliminary Statement AS
- vii. Public Safety Shut-Off Memorandum Account (PSPS MA) Preliminary Statement AY
- viii. Drinking Water Fees Balancing Account (DWFBA) Preliminary Statement BF

Q.1.A) For each account listed above, please provide documentation supporting the total final dollar amount requested per each account’s Preliminary Statement.

Q.1.B) For each account listed above, with identification of relevant product and class code signifier(s), provide the calculation of the recorded dollar totals requested for amortization in this GRC.

Q.1.C) For each account listed above, identify what expenses and dollar amounts included in the totals are covered by rates authorized in a GRC proceeding.

Q.1.D) For each account listed above, provide invoices that document the expenses recorded for amortization, which are incremental to authorized rates.

Q.1.E) For any amount identified in response to Q.1.D) as incremental to authorized rates that is not associated with an invoiced expense, please explain the amount and provide justification for why it should be authorized, based on “knowledge of ratemaking and information about the specific costs approved in a general rate case...which are not available to the typical employee”² where applicable.

¹ California Water Service Testimony Book #3, p. 2, FN 3 (emphasis added).

² California Water Service Testimony Book #3, p. 2, FN 3.



Responses:

Overview of Cal Water’s Methodology for Identifying Incremental Costs

Cal Water takes the following steps before seeking cost recovery pursuant to a memo account.

- (1) Identifies the costs appropriate for consideration because they are tagged with the relevant product code, or because they are otherwise identifiable (for example, through a Purchase Order, Invoice, or Voucher number).
- (2) Expenses must have been incurred during the appropriate time period for which the memo account is authorized.
- (3) Certain categories of costs are excluded because, by their nature, they are generally ineligible for recovery.
 - a. A tab labelled “Assumptions” is included in the workpapers and lists the accounts that should be excluded, including clearing accounts and labor allocations. For expenses, capital-related accounts such as construction overhead and retirements are also excluded.
 - b. For this analysis, Cal Water uses the Summary of Earnings (“SOE”) keys from the Results of Operations Model (“ROM”) to filter out ineligible expense categories.
- (4) Confirm that non-recurring costs are removed from recorded data for the purposes of forecasting expenses in the current GRC. (To the extent that any expenses were incurred in earlier GRC periods, Cal Water confirms that the non-recurring expenses were also removed for the purposes of forecasting expenses in previous GRCs. See Att. KKE-002 Q.1 Adjustments in 2018-2024 GRCs.)

Additional Incrementality Analysis - Depending on the nature of the unanticipated events that allowed for the creation of a memo account, certain memo accounts are broad and track a variety of costs across numerous cost categories and accounts. They may also involve assistance provided by employees from other ratemaking areas (while labor costs are generally not incremental to rates, travel, lodging, and similar costs associated with the activity may be incremental).

In this GRC, these criteria are met by the following memo account costs for which Cal Water is requesting amortization: **(1) PSPS Memo Account, (2) the COVID activities tracked in the CEMA, and (3) the numerous other emergencies (wildfires, excessive heat, etc.) that triggered the CEMA in the past few years.** For these costs, Cal Water has taken additional steps to determine incrementality.

- (5) Cal Water identified the year in which a cost was incurred, and the amount included in rates for that year according to the SOE key associated with the cost.
- (6) Cal Water pulled the costs in that SOE key recorded for that year.
- (7) For SOE keys in which recorded costs exceeded adopted costs, Cal Water identified the cost as incremental to rates.

Steps 2, 3, 5, 6, and 7 are demonstrated in the attached workpapers provided for the three categories of memo account costs identified above.



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- i. **Conservation Expense Balancing Account (CEBA 5) Preliminary Statement Z5**
- ii. **Pension Cost Balancing Account (PCBA 5) Preliminary Statement AA5**
- iii. **Healthcare Cost Balancing Account (HCBA 5) Preliminary Statement AB5**

Response to 1.A for all three accounts: The three accounts above are authorized to track the difference between adopted costs and actual costs over the 3-year period of 2023-2025. In the 2024 GRC, Cal Water is requesting authority to file advice letters to amortize the appropriate incremental amounts after the close that period, even if the 2% trigger for amortizing balancing accounts is not met. Cal Water is not requesting amortization of specific dollar amounts at this time.

Response to 1.B for all three accounts: The product codes for the above accounts are CEBA21, PCBA21, and HCBA21, respectively. Cal Water is not requesting amortization of specific dollar amounts at this time.

Response to 1.C: As of June 30, 2024, the balances are estimated to be as follows:

- For the CEBA5, an over-collection of \$1,107,096 as shown in “**Att. KKE-002 Q.1.i(C) CEBA5 Calculations.**” **\$1,079,981, as shown in Att. KKE-002 Q.1.i(C) CEBA5 Calculations Updated.” The estimated balance provided previously has been updated to reflect final numbers.**
- For the PCBA5, an over-collection of \$12,612,021 as shown in “**Att. KKE-002 Q.1.ii(C) PCBA5 Calculations.**”
- For the HCBA5, an over-collection of \$2,891,298 as shown in “**Att. KKE-002 Q.1.iii(C) HCBA5 Calculations.**”

Response to 1.D for all three accounts: Cal Water is not requesting amortization of specific dollar amounts at this time.

Response to 1.E for all three accounts: Cal Water is not requesting amortization of specific dollar amounts at this time.

- iv. **General District Balancing Account (District BA) Preliminary Statement AP**

Response to 1.A: In the 2024 GRC, Cal Water is requesting authority to file an advice letter to amortize the balances in the account after a final decision in this proceeding, even if the 2% trigger for amortizing balancing accounts is not met.

This is a catch-all account for all residual amounts (positive or negative) that remain after other balancing and memorandum accounts have been amortized over the authorized time period. Amortization periods end at different times depending upon the start of an amortization period and the amortization period length authorized by the Commission. Residuals are therefore moved into the General District Balancing Accounts at different times

Cal Water seeks to amortize the balance in the accounts at the time an advice letter requesting amortization is filed. For illustrative purposes, Cal Water provides workpapers showing the balances in this account as of December 31, 2023. **See “Att. KKE-002 Q.1.iv(A) District BAs (12.31.2023).”**

Response to 1.B: The product code for this account is DSBA. Cal Water is not requesting



amortization of specific dollar amounts.

Response to 1.C: Recorded in General District Balancing Accounts are residuals of amounts for which the Commission has already authorized amortization via surcharge or surcredit, so any balances in these accounts would not be otherwise “covered by authorized in a GRC proceeding.”

Response to 1.D: Not applicable.

Response to 1.E: Not applicable.

v. Catastrophic Event Memorandum Account (CEMA) Preliminary Statement AM

Response to 1.A: Cal Water requests authority to file an advice letter after a final decision in this proceeding is adopted in order to amortize via surcharge two categories of costs. First, Cal Water requests recovery of **\$2,097,650** in incremental expenses associated with CEMA events, including COVID. **A discussion of the CEMA events (not including COVID) for which expense recovery is sought is provided in “Att. KKE-002 Q.1.v(A) CEMA Narrative.” A discussion of the COVID activities for which expense recovery is sought is provided in “Att. KKE-002 Q.1.v(A) COVID Narrative.”**

Second, Cal Water requests recovery of **\$2,103,237** for the amount of bad debt incurred during the COVID period adjusted by the buffer mandated in D.21-07-029.

Response to 1.B: The product codes associated with this request are CEMA and COVIDT. For the **\$2,097,650** in incremental expenses, see **“Att. KKE-002 Q.1.v(B) CEMA_COVID_2020-2023 Calculation.”** For the **\$2,103,237** in adjusted bad debt, see **“Att. KKE-002 Q.1.v(B) COVID Bad Debt Calculation.”** **With Response #3, Cal Water is providing another version of “CEMA_COVID_2020-2023 Calculation” file, now called “Att. KKE-002 Q.1.v(B) CEMA_COVID_Calculation Updated.” This updated file contains several additional tabs, including a new “Summary” tab to help navigate through the data in the spreadsheet. (The tab previously called “Summary” has been changed to “Incrementality” because it shows how the incrementality analysis described in the “Overview” section of this data request response was applied to the CEMA and COVID expenses.)**

Response to 1.C: The incremental expenses requested for recovery were incurred in 2020-2023. None of the requested amounts were authorized in a GRC proceeding for rates during that period. Because they were not anticipated to be recurring costs, they were removed from recorded data prior to applying an average to forecast expenses in the 2018 GRC, the 2021 GRC, and the 2024 GRC. See **“Att. KKE-002 Q.1 Adjustments in 2018-2024 GRCs.”**

Response to 1.D for the \$2,097,650 in incremental expenses: **“Att. KKE-002 Q.1.v(B) CEMA_COVID_2020-2023 Calculation”** includes a **tab called “Incrementality”** with potential costs for recovery and uses two methodologies to remove non-incremental amounts from the overall data. On subsequent tabs, detailed lists of costs are organized by type (CEMA vs. COVID) and year.

The AP Vouchers contained in the tabs of the **CEMA_COVID_2020-2023 Calculation** spreadsheet are also listed in another spreadsheet, **“Att. KKE-002 Q.1.v(C) COVID_CEMA Invoice Key.”** In the far right-hand column of the latter spreadsheet, each AP Voucher includes a comment like “Excluded,” an invoice number, or a blank. The items with



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invoice numbers are provided in the zip file called “**Att. KKE-002 Q.1.v(C) CEMA_COVID Invoices.**”

Cal Water has identified and provided numerous invoices that are representative of the expenses requested for recovery, but has not provided all invoices due to their high volume. **Cal Water proposes a meeting to walk Cal Advocates’ subject matter expert through the material provided.** If desired, the lists could be used to identify additional invoices for viewing.

Note that there will not be a direct correlation between the total costs requested for recovery and the sum of the amounts that appear on invoices because Cal Water has removed some costs from its recovery request, as noted above.

Response to 1.D for the \$2,103,237 in adjusted bad debt: There are no invoices associated with this request.

Response to 1.E for the \$2,097,650 in incremental expenses: Not applicable.

Response to 1.E for the \$2,103,237 in adjusted bad debt: The data contained in the “**Att. KKE-002 Q.1.v(B) COVID Bad Debt Calculation**” are from the 2018 GRC (for adopted uncollectibles), a Low-Income proceeding decision (for the buffer), or from system-generated data from Cal Water’s Accounting Department.

vi. **Asbestos Litigation Memorandum Account (ALMA) Preliminary Statement AS**

Response to 1.A: In Testimony Book #3, Cal Water requested authority to file an advice letter after a final decision in this proceeding is adopted in order to amortize via surcharges the amount of \$304,593 currently in this account.

Cal Water now adjusts its request to \$303,869. Based on a more recent review of the legal invoices, Cal Water identified costs in the amount of \$17,537 that should have been excluded. At the same time, however, an error in the interest calculation was identified. With the lower base cost (less \$17,537) and the corrected interest calculation, the net impact of this adjustment is minimal.

Since 2015, when the ALMA became effective, several lawsuits have been filed against Cal Water relating to alleged exposure to asbestos. Documentation of the specific legal expenses incurred will be provided in response to Question 1.D. **A discussion of the asbestos cement (“AC”) pipe that is the basis for the lawsuits and further details is provided in “Att. KKE-002 Q.1.vi(A) Asbestos Memo Account Narrative.”**

Response to 1.B: Product Code “ASBLIT” is associated with this account. **With Response #3, Cal Water is providing the original workpapers supporting the request for \$304,953, as well as the updated workpapers supporting the request of \$303,689. See “Att. KKE-002 Q.1.vi.(B) Asbestos Original Calculation” and “Att.KKE-002 Q.1.vi(B) Updated Asbestos Calculation.”**

Response to 1.C: Costs requested for recovery were incurred starting in 2015. None of the requested amounts were authorized in a GRC proceeding for rates since 2015. Further, the 2018 GRC would have been the first GRC to include 2015 expenses in an expense forecast. For the 2018, 2021, and 2024 GRCs, the amounts requested for recovery in this GRC were removed from the recorded data prior to applying an average to forecast expenses because they were not anticipated to be recurring costs. See “**Att.**



KKE-002 Q.1 Adjustments in ROM.”

Response to 1.D: The invoices supporting this request are listed in the “AP Vouchers” tab of “Att. KKE-002 Q.1.vi(B) Updated Asbestos Calculation.” The invoices themselves are in a zip file called “**CONFIDENTIAL** Att. KKE-002 Q.1.vi(D) Asbestos Legal Invoices.” The memo supporting confidential designation is provided as “Att. KKE-002 Q.1.vi(D) ALMA Confidentiality Memo.”

Response to 1.E: Not applicable.

vii. Public Safety Shut-Off Memorandum Account (PSPS MA) Preliminary Statement AY

Response to 1.A: Cal Water requests authority to file an advice letter after a final decision in this proceeding is adopted in order to amortize via surcharge the amount of \$4,342,469 associated with preparing for and responding to “public safety shut-offs” by electric companies from 2020-2023.

The Commission first issued guidance on proactive de-energization to mitigate wildfire risk in 2012.³ Following the devastating 2017 and 2018 wildfire seasons, the CPUC issued an Order Instituting Rulemaking to Examine Electric Utility De-Energization of Power Lines in Dangerous Conditions (“PSPS Rulemaking”) to review its de-energization rules in response to increasing frequency and severity of wildfires. While Cal Water’s systems were not damaged by the Camp or Woolsey fires in 2018, the Camp fire occurred very close to Cal Water’s Chico District, and the Woolsey fire took place partially in Cal Water’s Westlake District.

On June 6, 2019, the CPUC issued Decision (“D.”) 19-05-042 adopting “Phase 1 Guidelines” related to PSPS. Cal Water submitted Advice Letter (“AL”) 2342 on June 11, 2024, requesting the establishment of a new PSPS Memorandum (“Memo”) Account to track incremental Operations and Maintenance (“O&M”) expenses and carrying costs for new facilities to address public health and safety needs in the event of a PSPS event. The PSPS Memo Account also includes advances preparation costs to ensure the utility is able to meet water system needs prior to an event occurring. A supplement was submitted on November 21, 2019 (AL 2342-A) and the Water Division issued its approval letter on January 31, 2020, preserving the original requested effective date of June 11, 2019.

From 2020 through 2023, there were nearly 31,000 wildfires across California, burning over 7.5 million acres and damaging or destroying 16,706 structures. Over this same period, the electric utilities serving Cal Water’s operating areas have reported 54 PSPS events to the CPUC. While not all of these reported events directly impacted Cal Water, the company must maintain a high level of preparedness given continuing occurrence of PSPS events.

To mitigate the impacts of PSPS on water system operations, Cal Water assessed its facilities to identify those requiring backup generation. Not only did Cal Water consider which of its facilities are supplied by circuits likely impacted by PSPS, but also what other areas and facilities are supplied by those circuits to more completely address the potential impacts of de-energization. Beyond other wildfire mitigation system hardening activities, priority was given to critical facilities potentially impacted by PSPS events,

³ D.12-04-024



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particularly those facilities not originally identified in the PSPS program.

To maintain system operations in the event of a PSPS were to occur, Cal Water sought to deploy backup generation equipment at critical facilities throughout its service areas. While Cal Water had general emergency preparedness efforts prior to the PSPS Rulemaking, the increasing wildfire threat and the CPUC's PSPS guidelines increased the urgency in preparing for extended de-energization events. Cal Water is proactive in mitigating the potential PSPS impacts to its facilities and downstream impacts to customers, communities and firefighters. Initially Cal Water rented generators and equipment across most of its systems for the 2020 wildfire season due to the increased use of PSPS by electric utilities to mitigate wildfire risk. This entailed not only identifying appropriate rental equipment to meet the energy demands of critical facilities, but also deploying the equipment, installing and removal the electrical equipment using qualified electricians, securing the necessary permits, and modifying operations in preparation of extended electrical outages due to PSPS.

In the 2024 GRC, Cal Water is seeking CPUC approval to amortize \$4,342,469 in costs tracked in the PSPS MA. Essentially all of the costs proposed for recovery are due to the rental of temporary generators and related equipment. These costs not only include the temporary generators themselves, but also the necessary equipment and materials to integrate the generator with the existing water facilities. This may include power cables, transfer switches and other electrical controls, and secondary containment structures and other safety equipment. In addition to the temporary generators and equipment, a very small amount of contracted services are also included in the proposed amortization. These contracted services account for less than one percent of the direct charges and again, are mostly due to temporary generators and equipment. Also, as Cal Water has installed permanent backup generation equipment, costs for rentals generators and equipment has gone down in recent years.

Response to 1.B: The product code associated with this account is PUBSAF. See "**Att. KKE-002 Q.1.vii(B) PSPS 2020-2023 Calculation.**"

Response to 1.C: The incremental expenses requested for recovery were incurred in 2020-2023. None of the requested amounts were authorized in a GRC proceeding for rates during that period. Further, to the extent they were deemed to be non-recurring, they were removed from recorded data prior to applying an average to forecast expenses in both the 2021 GRC and the 2024 GRC. See "**Att. KKE-002 Q.1 Adjustments in 2018-2024 GRCs.**"

Response to 1.D: "**Att. KKE-002 Q.1.vii(B) PSPS 2020-2023 Calculation**" includes a Summary Tab with potential costs for recovery and uses two methodologies to remove non-incremental amounts from the overall data. On subsequent tabs, detailed lists of costs are organized by year.

The AP Vouchers contained in the tabs of the **PSPS 2020-2023 Calculation** spreadsheet are also listed in another spreadsheet, "**Att. KKE-002 Q.1.vii(C) PSPS_MA List of AP Vouchers.**" In the latter spreadsheet, each AP Voucher a vendor name and an invoice ID. Column E of the spreadsheet indicates which invoices have been pulled and are provided in the zip file called "**Att. KKE-002 Q.1.vii(C) PSPS Invoices.**" In the zip file, invoices are organized by abbreviated vendor name, and then by invoice number.



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Cal Water has identified and provided numerous invoices that are representative of the expenses requested for recovery, but has not provided all invoices due to their high volume. **Cal Water proposes a meeting to walk Cal Advocates' subject matter expert through the material provided.** If desired, the lists could be used to identify additional invoices for viewing.

Note that there will not be a direct correlation between the total costs requested for recovery and the sum of the amounts that appear on invoices because Cal Water has removed some costs from its recovery request, as noted above.

Response to 1.E: Not applicable.

viii. **Drinking Water Fees Balancing Account (DWFBA) Preliminary Statement BF**

Response to 1A: Cal Water requests net recovery of \$1,332,802 amortized through base rates over the three-year rate case cycle of 2026-2028. This is consistent with Section 4 of Preliminary Statement BF and Ordering Paragraph 3 of D.06-04-037, which states:

Class A water utilities shall report on the status of their balancing accounts in their general rate cases and shall propose adjustments to their rates in that context to amortize under- or over-collections in those accounts subject to reasonableness review.

The DWFBA was authorized in AL 2497-A because of the significant adjustment to the drinking water fees charged by the State Water Resources Control Board starting in 2021. The incremental expenses requested for recovery were incurred for the period of July 2021-December 2023. The balance tracked in the DWFBA represents the difference between the drinking water fees included in rates for that period, and the drinking water fees incurred for that period.

Please note that page 22 of Testimony Book #3 indicated that the balance in the DWFBA was \$1,377,674 as of 2023 year-end, however that was an earlier estimate that proved to be erroneous.

Response to 1B: There is no product code associated with this account. See "**Att. KKE-002 Q.1.viii(B) DWFBA Calculations.**"

Response to 1C: For the 2024 GRC, "**Att. KKE-002 Q.1 Adjustments in 2018-2024 GRCs**" shows that all drinking water fees were removed from the 5-year recorded average before the forecast was calculated for test year 2026. The net amount requested through the DWFBA (\$1,332,802) was then added back in for recovery (or in some cases as a refund) over the rate case period of 2026-2028.

Response to 1D: Since there over 100 invoices for this account, a sample of 10 invoices are provided in the folder called "**Att. KKE-002 Q.1.viii(D) DWFBA Invoices.**" All invoices are listed in the "GL Entries" tab of "**Att. KKE-002 Q.1.viii(B) DWFBA Calculations.**" Cal Water suggests that additional invoices requested be identified from that list.

2. **Delayed advice letter filings for Balancing and Memorandum Account Amortization**

Response:



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According to Testimony Book 3, page 4, Cal Water seeks flexibility in the timing of when surcharges or credits are applied to ratepayer bills due to amortization of a memo or balancing account. Further, Cal Water requests that “...an ordering paragraph authorizing amortization of a balancing or memo account provide a filing deadline that is at least 90 days from a final decision (rather than the more typical 30 or 60 days).”

Q.2.A) Please identify by number all Advice Letters (AL) that Cal Water has filed since 2020 to request amortization filing deadline extensions beyond the typical 30-60 days from the final decision.

Response: See Table 1 below.

Decision / Advice Letter	Decision Issued	AL Filed	Topic	Days from Issuance
D.20-12-007	12/11/2020		2018 GRC Decision	
2406		3/16/2021	PCBA/HCBA Amortization	95
2409		4/6/2021	Gen Dist BA Amortization	116
2410		4/6/2021	IRMA Amortization	116
D.24-03-042	3/15/2024		2021 GRC Decision	
2521		6/5/2024	BAMA Amortization	82
2527		8/14/2024	IRMA Amortization	152

Q.2.B) For each AL identified in response to Q.2.A), please provide the number of days past the typical 30-60 day filing period that the Commission approved for that AL.

Response: See Table 1 above.

Q.2.C) For each AL identified in response to Q.2.A), please indicate whether the relevant balancing or memorandum account balance accrued interest during the approved extension period.

Response: For the above advice letters filed in 2021, interest only accrued while the accounts were considered “active.” For example, the PCBA and HCBA were only “active” in 2017-2019 while recorded costs were being compared to adopted costs. Interest was not added (positive or negative) between the end of the active period and when the advice letter was filed – which, due to the delayed GRC decision, was actually a period of 440 days (1/1/2020 to 3/16/21). Because 90-day Commercial Paper rates were historically so low, this was the approach that Cal Water took for almost all balancing and memo accounts until recently.

Starting in 2023, the 90-day Commercial Paper Rate increased dramatically. For AL 2521, interest was included in the balances up through December 2023 or April 2024, and for AL 2527 interest was included in the balances up through May 2024. (Note that AL 2521 has been rejected, but will be re-filed soon.) **The balancing and memo account amortizations requested in AL 2521 were re-filed on August 30, 2024, in AL 2530.**

Q.2.D) If interest accrued on the balancing or memorandum account balance during the extension,



CALIFORNIA WATER SERVICE COMPANY

Data Request Account Response (2024 GRC, A.24-07-003) – Page 12

please provide the applicable interest rate and indicate where the Commission authorized the interest rate/accrued interest as an additional expense to be amortized with the account balance.

Response: Each preliminary statement for the amortizations requested in 2024 includes a provision indicating that the 90-day Commercial Paper rate is to be applied to the balances for the duration of the accounts. The specific section in each preliminary statement (“prelim.”) is indicated below.

- For AL 2521, see section 4(c) of Prelim. AI, section 4(c) of Prelim. AX, and section 3(b) of Prelim. AP.
- For AL 2527, see section 4(a)(iii) of Prelim. BD.

For amortization of Chromium 6 and Lead Service Line balances in AL 2521 and the IRMA balances in AL 2527, interest was applied on a monthly basis at the rates provided in “**Att. KKE-002 Q.2(D) Monthly Interest Rates.**” For amortization of the General District Balancing Accounts, interest was applied on an annual basis at the rates provided in “**Att. KKE-002 Q.2(D) Annual Interest Rates.**”

3. Rate Base Offsets

According to Testimony Book 3, page 4, in order to schedule rate changes so that multiple changes take effect on the same day, Cal Water “has gone so far as to delay increases from rate base offsets so that they can be implemented at the same time as another bill change, such as a steps filing or purchased water/pump tax increase.”

Q.3.A) Please identify, by AL Number and the relevant Rate Base Offsets account(s), what rate base offset amounts have been delayed from recovery in order for the bill increase to be implemented at the same time as other bill changes.

Response: See Table 2 below.



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Advice Letter #	Project ID	Delayed Revenue Recovery	AL Filed Date
2256	64433	\$ 63,697	3/16/2017
2256	76395	\$ 294,623	3/16/2017
2296	99296	\$ 4,025	3/15/2018
2296	63402	\$ 7,681	3/15/2018
2296	20141	\$ 45,437	3/15/2018
2297	20196	\$ 30,444	3/15/2018
2297	12922	\$ 9,261	3/15/2018
2298	64502	\$ 84,076	3/15/2018
2325-B	100482	\$ 48,162	11/16/2018
2326-A	98722	\$ 29,418	11/20/2018
2327-A	98846	\$ 8,505	11/21/2018
2327-A	98854	\$ 8,293	11/21/2018
2328-A	99369	\$ 28,343	11/20/2018
2353	76316	\$ 113,712	10/18/2019
2360	99167	\$ 12,583	12/20/2019
2360	99169	\$ 7,609	12/20/2019
2360	199181	\$ 6,913	12/20/2019
2360	99856	\$ 971	12/20/2019
2360	99182	\$ 1,823	12/20/2019
2434	114525	\$ 54,054	11/17/2021
	Total	\$ 859,630	

Q.3.B) Please indicate whether the delayed rate base offset amounts identified in response to Q.3.A) accrued interest during the delay in implementing the bill change.

Response: Interest cannot be accrued for delays in seeking recovery for rate base offset filings.

Q.3.C) If interest accrued on the rate base offset amount, please provide the interest rate applied and indicate where the Commission authorized the interest rate/accrued interest as an additional expense to be amortized with the account balance.

Response: Not applicable.

4. Drought Memorandum Account (DRMA2)

Testimony Book # 1, pages 74-75, states that drought expenses tracked in Cal Water’s DRMA2 and requested for recovery through AL 2490 are excluded from 2022 for six districts, including Bakersfield, Bayshore, Chico, Kern River Valley, Palos Verdes, Salinas, and Westlake. Page 76, however, states that drought expenses tracked in DRMA2 and requested for recovery through AL 2490 are excluded from 2022 for thirteen districts, including Bakersfield, Bayshore, Bear Gulch, Chico, East Los Angeles, Hermosa Redondo, Kern River Valley, Livermore, Los Altos, Palos Verdes, Visalia, Westlake and Willows.



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- Q.4. Please explain the discrepancy in the number of districts' DRMA2 expenses that Cal Water excluded from recovery for 2022 as stated on pages 74-75 and page 76. If the discrepancy is due to an error, please provide the correct(ed) list of excluded districts.

Response: In Testimony Book #1, Chapter 5 is organized according to expense category within the broader categories of operations & maintenance (O&M) and administrative & general (A&G) expenses. The removal of drought-related expenses that are associated with cost recovery through the Drought Memorandum Account 2 is mentioned in several sections throughout the chapter because expenses removed in several different categories. Therefore, the references on pages 74-75 and on page 76 are not inconsistent because the first reference is for Customer Accounting expenses, and the second reference is for Conservation expenses.

ATTACHMENT 1-3:
Cal Water Response to DR KKE-003



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Data Request KKE-003 Response (2024 GRC, A.24-07-003) –Page 1

RESPONSE TO DATA REQUEST

2024 GENERAL RATE CASE, A.24-07-003

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Date: November 21, 2024	Request Received from CPUC: November 15, 2024
Re: KKE-003	Requested Due Date: November 22, 2024
Subj: BAMA Account Balances	[7 days]

Comments:

- **Full response attached.**
- **Does not contain confidential information.**
- **This response refers to the following attachments included separately:**
 - **KKE-003 Attachment 1 – BAMA Table**
 - **KKE-003 Attachment 2 – 2023 CPUC Final Auditor Report 10.17.2024**



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Data Request KKE-003 Response (2024 GRC, A.24-07-003) –Page 2

Data Requests and Responses

1. Please provide all Memorandum and Balancing Account information and balances in the following table format as an Excel worksheet. First column “PS” identifies the Memorandum or Balancing Account’s “Preliminary Statement”

PS	BA/MA Name	BA/MA Description	Authorizing D. / Res. / AL	Balance as of 12/31/2023	Balance as of 6/30/2024	Date Last Reviewed	Most Recent Review/Audit (GRC or other)	Notes or Comment
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Response: Please see information provided in “KKE-003 Attachment 1 – BAMA Table.” Additionally, attached is a copy of the recently released *California Water Service Company Balancing Accounts Audit – January 1, 2023 through December 31, 2023* (“KKE-003 Attachment 2 – 2023 CPUC Final Auditor Report 10.17.2024”), published on October 17, 2024, for reference.

ATTACHMENT 1-3:
Cal Water Response to DR KKE-003 (Attachment 1)

	A	B	C	D	E	F	G	H	I	J	K
		Prelim	Account Name	Description	Decision/ Resolution	Advice Letter	Balance as of 12/31/23	Balance as of 6/30/24	Date Last Reviewed	Most Recent Review/Audit (GRC or other)	Notes or Comments
3											
4	1	M	Water Revenue Adjustment Mechanism/Modified Cost Balancing Account (WRAM/MCBA)	Tracks the difference between recorded and Commission authorized water revenues and differences between recorded and Commission authorized amounts for purchased water, power, and pump taxes.	D.08-02-036	1882, 1994, and annual filings	\$64,159,899	\$6,324,149	2024	CPUC Audit of 2023 balance (10/17/24)	In May 2024, balance reduced by approx. \$45.9M due to receipt of COVID arrearage grant funds (AL 2520). Included in 6/30/24 Semi-Annual Balancing Account Report to WD.
5	2	S	Water Cost of Capital Mechanism (WCCM)	Mechanism to provide an automatic adjustment, up or down, to Cal Water's adopted return on equity. Established in D.09-07-051, and continued in D.12-07-009 and D.18-03-035.	D.09-07-051; D.12-07-009; Deferrals in 2014 and 2015 authorized by Exec. Dir.	1962 (created) 2088 (triggered)	n/a	n/a	2023	Water Division in AL 2495 (triggered) and AL 2502 (adjustment applied)	Identifies a trigger; does not track costs or revenues. In Oct 2024, also submitted letter to WD providing notification that WCCM did not trigger for 2025 rates.
6	3	T	Lucerne Balancing Account (LCBA): SDWSRF Loan and payment	Records surcharge and service fee revenues as well as Safe Drinking Water State Revolving Fund payments and interest earned on funds deposited with the fiscal agent.	D.08-09-002; Res. W-5149 approved surcharge increase	1963-A (created); 2267-A (amort starting 1/1/18)	(\$3,477,343)	(\$3,347,410)	2024	CPUC Audit of 2023 balance (10/17/24)	Included in 6/30/24 Semi-Annual Balancing Account Report to WD.
7	4	W	TCP Litigation Memorandum Account (TCP MA)	Tracks the costs incurred with litigation against PRPs that produced and/or distributed products containing TCP.	W-4094; D.20-12-007 Settlement	1971 (created)	\$3,689,000	\$3,689,000	2022	Public Advocates Testimony (Feb 2022) in 2021 GRC	
8	5	Z4	Conservation Expense One-Way Balancing Account (CEBA4)	A one-way balancing account to record water conservation program expenses; under-expenditures to be refunded. For 2020-2022 costs.	D.20-12-007 Settlement, pp. 27, 36	2401 (1/27/01 created); 2478 (3.31.23 amort starting 5/5/23)	(\$2,243,764)	\$21,545	2024	CPUC Audit of 2023 balance (10/17/24)	Also reviewed by WD in AL 2478 (12-month amortization started 5/5/2023). Included in 6/30/24 Semi-Annual Balancing Account Report to WD.
9	6	Z5	Conservation Expense One-Way Balancing Account (CEBAS)	A one-way balancing account to record water conservation program expenses; under-expenditures to be refunded. For 2023-2025 costs.	D.24-03-042, OP 21	2523 (7/29/24 created)	(\$871,498)	(\$1,077,186)	None	None	Included in 6/30/24 Semi-Annual Balancing Account Report to WD.
10	7	AA3	Pension Cost Balancing Account (PCBA3)	A balancing account to track the difference between actual and authorized pension costs for 2017-2019.	D.16-12-042, OP 4 and 17	2242 (12/30/16 created); 2406 (amort starting 6/15/2021)	\$1,978,129	\$0	2024	CPUC Audit of 2023 balance (10/17/24)	Amortization completed; residual amount transferred to General District Balancing Accounts. Included in 6/30/24 Semi-Annual Balancing Account Report to WD.
11	8	AA4	Pension Cost Balancing Account (PCBA4)	Tracks the difference between actual and authorized pension costs for 2020-2022.	D.20-12-007, OP 16	2401 (1/27/01 created); 2482 (6/9/23 amort. Starting 7/31/23)	\$10,981,538	\$4,821,160	2024	CPUC Audit of 2023 balance (10/17/24)	Also reviewed by WD in AL 2482 (12-month amortization started 7/31/2023). Included in 6/30/24 Semi-Annual Balancing Account Report to WD.
12	9	AA5	Pension Cost Balancing Account (PCBA5)	Tracks the difference between actual and authorized pension costs for 2023-2025.	D.24-03-042, OP 21	2523 (7/29/24 created)	(\$8,972,401)	(\$12,642,187)	None	None	Included in 6/30/24 Semi-Annual Balancing Account Report to WD.
13	10	AB3	Health Cost Balancing Account (HCB3)	Tracks the difference between the adopted health care expense and the total actual expenses incurred for 2017-2019. 85% of difference goes to RPs or is recoverable from RPs.	D.16-12-042, OP 4 (revise tariffs) and OP 17 (modify/eliminate balancing accounts)	2242 (12/13/16, created); 2406 (amort)	\$0	\$0	2024	CPUC Audit of 2023 balance (10/17/24)	Amortization completed; residual amount transferred to General District Balancing Accounts.
14	11	AB4	Health Cost Balancing Account (HCB4)	Tracks the difference between the adopted health care expense and the total actual expenses incurred for 2020-2022. 85% of difference goes to RPs or is recoverable from RPs.	D.20-12-007, OP 16	2401 (1/27/01 created); 2482 (6/9/23 amort. Starting 7/31/23)	(\$8,678,188)	(\$1,675,631)	2024	CPUC Audit of 2023 balance (10/17/24)	Also reviewed by WD in AL 2482 (12-month amortization started 7/31/2023). Included in 6/30/24 Semi-Annual Balancing Account Report to WD.
15	12	AB5	Health Cost Balancing Account (HCB5)	Tracks the difference between the adopted health care expense and the total actual expenses incurred for 2023-2025. 85% of difference goes to RPs or is recoverable from RPs.	D.24-03-042, OP 21	2523 (7/29/24 created)	(\$2,591,538)	(\$3,022,919)	None	None	Included in 6/30/24 Semi-Annual Balancing Account Report to WD.
16	13	AG	Catastrophic Event Memorandum Account (CEMA) (without COVID)	Tracks incremental costs associated with: restoring customers' utility service; repairing, replacing or restoring damaged utility facilities; complying with government agency orders resulting from declared disasters; and implementing emergency customer protections for all disasters.	PUC Section 454.9	2050 (created)	\$2,097,650	\$2,215,799	2022	Public Advocates Testimony (Feb 2022) in 2021 GRC	Amortization of balance through 12/31/23 requested in 2024 GRC. For activities in 2024, validation to occur when amortized. Interest after 2023 not included yet.
17			CEMA - COVID Only	Tracks the costs associated with the COVID-19 pandemic	D.24-01-034, OP 3	None	\$2,103,237	\$2,103,237	2022	Public Advocates Testimony (Feb 2022) in 2021 GRC	Amortization of balance through 12/31/23 requested in 2024 GRC.

	A	B	C	D	E	F	G	H	I	J	K
14	AI	Chromium-6 Memo Account (CR6 MA)	Tracks costs related to compliance with final MCL for Chromium 6. Draft MCL issued at 10 parts per billion in August 2013.	D.14-08-011 (created); modified in D.20-12-007 Settlement, pp. 44-45.	2128 (created); 2503 (SLN amort) and 2530-A (DIX/WIL amort) starting 10/1/2024	\$1,812,437	\$1,812,437	2024	Water Division in AL 2503 and 2530-A (for balance up to 12/31/2022).	Amortization of balances with interest through 12/31/2022 approved in AL 2530-A and AL 2503. Surcharges began 10/1/24. Interest starting in 2024 not included yet.	
15	AJ	Customer Assistance Program (formerly Low-Income Ratepayer Assistance) Balancing Account (CAP BA)	Tracks subsidies given to low-income program customers, and the surcharges on non-LIRA customers to fund the program.	D.06-11-053 (created MA); D.12-09-020 (modifying MA, and creating BA)	2086-A (created); annual recalcs started in 2012 with AL 2089; latest 2498.	\$2,459,279	\$7,109,543	2024	CPUC Audit of 2023 balance (10/17/24)	Included in 6/30/24 Semi-Annual Balancing Account Report to WD.	
16	AL2	Drought Memorandum Account (DRMA2)	Tracks costs and penalties associated with the implementation of Rule 14.1 and Schedule 14.1 consistent with Resolution W-4976 in which the Commission adopted Drought Procedures.	None	2413 (created) 2490 (amort requested)	\$1,651,000	\$1,758,266	2024 pending	Water Division in pending amortization request AL 2490.	Amortization for balance as of 12/31/2022 requested in AL 2490 filed 7/28/23; AL currently suspended. Balance incurred after 12/31/22 will be validated when amortized.	
18	AM	Rate Support Fund Balancing Account (RSF BA)	Tracks the subsidy for all customers in designated high-cost districts, and the surcharges collected to fund the program.	D.06-08-011; D.10-12-017 (modified subsidies)	1779 (created) 2139 (prelim); annual recalcs with latest 2499; 2518 (modified)	(\$2,115,558)	\$2,905,559	2024	CPUC Audit of 2023 balance (10/17/24)	Included in 6/30/24 Semi-Annual Balancing Account Report to WD.	
19	AN	Infrastructure Act Memorandum Account (Infra MA)	Must maintain sales records of any utility property that has been in rate base, and track the net proceeds of those sales so that they are used as the utility's primary source of capital for investment in utility infrastructure within eight years of the calendar year in which the net proceeds were realized (otherwise must be returned to customers).	D.06-05-041, OP 17	2139 (prelim added)	n/a	n/a	2022	Public Advocates Testimony (Feb 2022) in 2021 GRC		
20	AO	Water Contamination Litigation Memorandum Account (WCL MA)	Tracks expenses associated with litigating water contamination cases.	Res. W-4094	2139 (prelim added)	\$0	\$0	2022	Public Advocates Testimony (Feb 2022) in 2021 GRC		
21	AP	General District Balancing Account (Gen Dist BAs)	Track small balances authorized for amortization on a district basis. In particular, residual balances from over- or under-amortization, and any other balances authorized by the CPUC. Amortization of aggregated amounts in GRCs, or if exceeds 2% of last rev reqt.	D.14-08-011	2139 (created) 2153-A (amort); 2530-A (amort 10/1/24)	\$609,730	\$2,905,559	2024	Water Division in 2530-A (for balance up to 12/31/2022).	Amortization of balances through 12/31/2022 (per WD) approved in AL 2530-A for effective date of 10/1/2024. Included in 6/30/24 Semi-Annual Balancing Account Report to WD.	
22	AS	Asbestos Litigation Memo Account (ALMA)	Tracks reasonable costs, awards, and settlements related to asbestos litigation against Cal Water.	D.15-05-045; modified in D.20-12-007 Settlement, p. 47. Extended by 1 year in D.24-03-042, OP 19.	2191 (created); 2402 (modified); 2518 (modified)	\$304,593	\$304,593	2022	Public Advocates Testimony (Feb 2022) in 2021 GRC	Amortization requested in this GRC. (Interest after 12/31/2023 not included yet.)	
23	AT	School Lead Testing Memo Account (SLT MA)	Tracks incremental expenses associated with lead testing conducted at the request of K-12 schools in compliance with lead testing and monitoring requirements of the SWRCB's Division of Drinking Water.	None	2251 (created)	\$0	\$0	2022	Public Advocates Testimony (Feb 2022) in 2021 GRC	Closed per D.24-03-042.	
24	AU	Phase 1 Sites Reservoir Memo Account (Phase 1 Sites MA)	Tracks the incremental costs up to \$1.05M for participation in Phase 1 of the Sites Reservoir Project.	None	2268-B (created)	\$664,000	\$664,000	2022	Public Advocates Testimony (Feb 2022) in 2021 GRC	Validation to occur when amortized. Interest not included yet.	
25	AX	Lead Service Line Memorandum Account (LSL MA)	Tracks the incremental costs associated with creating an inventory of and potentially replacing lead service lines.	None	2331 (created) 2530-A (amort starting 10/1/24)	\$293,318	\$293,318	2024	Water Division in AL 2530-A (for balance up to 12/31/2022).	Balance only includes interest through 12/31/2022 (per WD requirement). Surcharges approved in AL 2530-A with effective date of 10/1/2024. Interest after 12/31/22 not calculated yet.	
26	AY	Public Safety Power Shutoff Memorandum Account (PSPS MA)	Tracks the incremental Operations and Maintenance expenses and carrying costs for new facilities, that are costs not already reflected in authorized rates, to address public safety needs in the event a proposed or declared Public Safety Power Shut-Off by an energy utility, including advance preparation costs.	None	2342-A (created)	\$4,342,469	\$4,812,692	2022	Public Advocates Testimony (Feb 2022) in 2021 GRC	For balance up through 12/31/23, amortization is requested in the 2024 GRC. For 2024 activities, validation to occur when amortized, and interest not included yet.	
27	AZ	2018 GRC Interim Rate Memorandum Account	Track the difference between interim rates charged pending resolution of Cal Water's 2018 GRC, and the rates subsequently adopted in a final decision.	D.20-12-007	2370 (created)	\$4,581,000	\$4,301,516	2022	Public Advocates Testimony (Feb 2022) in 2021 GRC	For 2023: no balance because no adopted revenue requirement until D.24-03-042. For 2024: only reflects interest through May 2024.	

	A	B	C	D	E	F	G	H	I	J	K
28	BA	PFAS Memo Account	Tracks incremental expenses that are not otherwise covered in Cal Water's revenue requirement in order to comply with the regulatory standards set by the State Water Resources Control Board to detect, monitor, report, and remediate per- and polyfluoroalkyl substances ("PFAS").	Res W-5226	2376-A (created)	\$2,508,037	\$3,206,414	2022	Public Advocates Testimony (Feb 2022) in 2021 GRC	Validation to occur when amortized. Interest not included yet.	
29	BC	Drought Response Memo Account	Tracks the lost quantity rate revenues associated with conservation during drought events.	None	2468 (created)	\$0	To be calculated	None	None	For 2023: no balance because no adopted revenue requirement until D.24-03-042. For 2024: calculations have not been done.	
30	BD	2021 GRC Interim Rate Memo Account	Tracks the difference between interim rates charged pending resolution of Cal Water's 2021 GRC, and the rates subsequently adopted in a final decision.	D.24-03-042	2470 (created); 2527 (amort starting 10/1/24)	\$0	\$88,597,644	2024	Water Division in AL 2527	For 2023: no balance because no adopted revenue requirement until D.24-03-042. For 2024: only reflects interest through May 2024.	
31	BE	Lead and Copper Rule Memo Account	Tracks any incremental expenses and carrying costs on capital investments that are required to comply with the Lead and Copper Rule Revisions (LCRR) of the United States Environmental Protection Agency that are not otherwise covered in Cal Water's revenue requirement.	None	2473-A (created)	\$123,000	\$289,882	None	None	Validation to occur when amortized. Interest not included yet.	
32	BF	Drinking Water Fees Balancing Account	Tracks the difference between the actual fees charged by the Water Board and the fees authorized in rates.	None	2497-A (created)	\$1,334,220	\$1,653,180	2024	CPUC Audit of 2023 balance (10/17/24)	Balance as of 12/31/23 requested in 2024 GRC as an expense amortized over 3 years. Included in 6/30/24 Semi-Annual Balancing Account Report to WD.	
33	G	Monterey-Style Water Revenue Adjustment Account Balancing Account (M-WRAM)	Compares the quantity rate revenues collected under each residential tier rates to the revenues that would have been collected if a single quantity rate (SOR) had been in effect.	D.24-03-042	2515 (created); 2532 (amort starting 10/1/24)	\$17,881,245	\$39,270,806	2024	Water Division in AL 2532	Included in 6/30/24 Semi-Annual Balancing Account Report to WD.	
34	BH	Purchased Water Incremental Cost Balancing Account (Water ICBA)	Tracks the difference between the actual cost of purchased water and the cost approved in rates.	D.24-03-042	2515 (created); 2533 (amort starting 10/1/24)	(\$7,105,866)	(\$11,236,664)	2024	Water Division in AL 2533	Included in 6/30/24 Semi-Annual Balancing Account Report to WD.	
35	BI	Pump Tax Incremental Cost Balancing Account (Pump Tax ICBA)	Tracks the difference between the actual cost of pump taxes and the cost approved in rates.	D.24-03-042	2515 (created); 2533 (amort starting 10/1/24)	\$88,926	\$150,245	2024	Water Division in AL 2533	Included in 6/30/24 Semi-Annual Balancing Account Report to WD.	
36	BJ	Purchased Power Incremental Cost Balancing Account (Power ICBA)	Tracks the difference between the actual cost of purchased power and the cost approved in rates.	D.24-03-042	2515 (created); 2533 (amort starting 10/1/24)	\$358,623	\$1,920,782	2024	Water Division in AL 2533	Included in 6/30/24 Semi-Annual Balancing Account Report to WD.	
37	BK	Conservation Regulation Memo Account (CRMA)	Tracks the incremental expenses required to comply with the "Making Conservation a California Way of Life" Regulation of the State Water Resources Control Board that are not in rates or otherwise tracked in another memorandum or balancing account.	None	2509-A (created)	\$0	\$0	None	None		
38	BL	Groundwater Sustainability Memorandum Account (GSMA)	Tracks the cost of complying with the Sustainable Groundwater Management Act Regulations signed into law September 16, 2014, which set forth a framework for regulating groundwater.	D.24-03-042, OP 18.	2518 (created)	\$0	\$0	None	None		
39	BM	Palos Verdes Pipeline Memorandum Account (PVPMA)	Track the incremental costs associated with the Palos Verdes Peninsula Water Reliability Project (PVPWRP) that exceed the amount already authorized in rates, including legal or other costs incurred to bring the matter to resolution.	D.24-03-042, pp. 115-116.	2518 (created); 2524 (amort request pending)	\$0	\$5,590,239	2024 pending	Water Division in AL 2524 pending	No balance in 2023 b/c not approved yet. Includes estimated interest through end of 2024, assuming 1/1/25 approved effective date. AL 2524 filed 7/30/24 suspended to prepare resolution.	
40	BN	2021 GRC Capital One-Way Balancing Account (21GRC COBA)	Ensures that unspent amounts approved in rates for the following capital projects categories are returned to customers: (1) control valves, (2) pump and motors, and (3) personal computers.	D.24-03-042, OPs 24, 25, and 28.	2518 (created)	\$0	To be calculated	None	None	Included in 6/30/24 Semi-Annual Balancing Account Report to WD.	