

PRELIMINARY STATEMENT
(Continued)

Sheet 1

AB. Water Revenue Adjustment Mechanism/Modification Cost Balancing Account (“WRAM/MCBA”)

1. PURPOSE:

The purpose of the WRAM Balancing Account is to track the differences between recorded and Commission authorized water revenues. The MCBA tracks the differences between recorded and Commission authorized amounts for purchased water, power, and pump taxes. The Commission has determined that these mechanisms are appropriate in coordination with increasing block rate structures and increased conservation activities.

2. APPLICABILITY:

Applicable customers in the following areas –Southern Division (Los Angeles Service Area, San Diego Service Area, Ventura Service Area), Northern Division, and Central Division Service Areas. The WRAM/MCBA excludes Chualar in the Central Satellite Service Area within the Central Division, and Fruitridge Vista within the Northern Division.

(C)

3. DEFINITIONS:

- a. Non-WRAM revenue is all revenue excluded from the WRAM account, including metered service charges, sale for resale customers, private fire service, private hydrant service, irrigation service, flat rate residential service, and other unmetered miscellaneous revenue.
- b. In addition, surcharges and surcredits, unless specifically included in adopted revenue requirement, are excluded from WRAM accounting.
- c. WRAM-eligible revenue is all revenue not excluded in 3.a, above. Generally, WRAM eligible revenue results from potable quantity charges to permanent residential, commercial, industrial and public authority customers.
- d. Recorded WRAM-eligible revenue is the amount of revenue billed to applicable customers in a particular period.
- e. Adopted WRAM-eligible revenue is the amount of usage- related revenue necessary in conjunction with authorized non- WRAM revenue to generate the adopted revenue requirement.

4. ACCOUNTING PROCEDURE:

- a. The following entries will be recorded to each area’s WRAM Balancing Account monthly and added to the prior accumulated monthly balance:
 - i. Recorded WRAM-eligible revenue
 - ii. Adopted WRAM-eligible revenue
 - iii. Total net WRAM balance = (i) minus (ii)

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(TO BE INSERTED BY UTILITY)

ISSUED BY

(TO BE INSERTED BY C.P.U.C.)

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J. T. LINAM

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PRELIMINARY STATEMENT
(Continued)

Sheet 3

**AB. Water Revenue Adjustment Mechanism /Modified Cost Balancing Account
("WRAM/MCBA") (continued)**

5. RATEMAKING PROCEDURE:

- a. By November 30th of each year, California American Water will provide Division of Water and Audits a written report on the status of the WRAM and MCBAs (with a copy to CAL PA). The written report will include a section on the WRAM in each district showing the net accumulated balance as of December 31st of the preceding calendar year. The written report will also include a section on the MCBA in each district showing the net accumulated balance as of December 31st of the preceding calendar year. If this report shows that the combined net accumulated balance for the WRAM and MCBA in any district exceeds 2% of the district's total recorded revenue requirement for the prior calendar year, California American Water will file an advice letter March 31st that amortizes the combined balance:
- b. Recovery of under-collections and refunds of over-collections will be passed on to ratepayers through either volumetric surcharges or surcredits.

**6. MONTEREY SPECIFIC WRAM/MCBA ITEMS
SAND CITY DESALINATION PLANT EXPENSES**

- a. D.18-12-021 authorized (1) the elimination of the Sand City Desalination Plant Purchased Water Balancing Account and (2) that all costs for the San City production facility be included in Monterey Service Area base rates and any change in the appropriate cost applicable to the customers be tracked in the MCBA.

1. PURPOSE:

Sand City Desalination Plant expenses will be treated as any other purchased water cost, including flow through to the Monterey MCBA per D. 18-12-021.

2. APPLICABILITY:

The Monterey Service Area

3. ACCOUNTING PROCEDURE

The authorized price per acre foot is determined as follows:

Repair Costs	\$242,458
Other O&M Costs	\$24,667
Purchased Power	\$152,421
Property Taxes	<u>\$73,324</u>
Total Variable Cost	\$492,870
Fixed Cost	<u>\$414,677</u>
Total Cost	\$907,548
Divided by AF	300
Price per AF	\$3,025

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PRELIMINARY STATEMENT
(Continued)

Sheet 4

**AB. Water Revenue Adjustment Mechanism / Modified Cost Balancing Account (“WRAM/MCBA”)
(continued)**

SAND CITY DESALINATION PLANT EXPENSES (continued):

The following entries shall be recorded to the balancing account:

- a. A debit entry equal to the authorized price per acre foot above, multiplied by the actual number of acre feet delivered, less any amounts delivered to Moratorium Exception Service Tariff customers.
- b. A credit entry equal to the amount of surcharges collected to offset the costs.
- c. An annual true-up entry for actual purchased power costs.
- d. A debit or credit entry equal to interest on the balance in the account at the beginning of the month and half the balance after the above entries, at a rate equal to one-twelfth of the rate on 90-day non-financial Commercial Paper, as reported in the Federal Reserve Statistical Release, H.15 or its successor

4. RATEMAKING PROCEDURE:

- a. Fixed Cost: this amount shall not change for each year over the period of time water is purchased and delivered to the Monterey Service Area for use by District customers, shall not be subject to further review, escalation, or modification, and may in no way be increased to reflect any other cost related to the Sand City Desalination Plant.

CENTRAL SATELLITE WRAM/MCBA

- a. D.21-11-018 authorized consolidation of the WRAM/MCBA and associated balances for Ambler, Garrapata, Ralph Lane, and Toro into the Central Satellite Service Area within the Central Division. (T)

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