

PRELIMINARY STATEMENT

A. Territory Served by the Utility

The area in which service is or will be furnished under its extension rule by this utility is identified in the Service Area Maps and described as follows: (T)
(T)

Portions of Cupertino, San Jose, and Santa Clara, and in Campbell, Los Gatos, Monte Sereno, and Saratoga and in contiguous territory in the County of Santa Clara.

B. Types and Classes of Service

The types and classes of service rendered are described in Rule No. 2, "Description of Service", and as may be further limited or amplified in the section of each rate schedule designated "Applicability."

C. Procedure to Obtain Service

Service as described herein will be rendered to any applicant whose premises are within the utility's service area, as identified in the Service Area Maps, provided application is made in accordance with Rule No. 3, credit established as required in Rule No. 6 and a contract signed in certain cases as specified in Rule No. 4. Where an extension of the utility's mains is necessary, Rule No. 15 applies, and if the project is of a temporary or speculative nature, Rule No. 13 is applicable. (T)
(T)

Applicants for service and customers must also conform to and comply with the other established rules as provided herein.

D. Margin Symbols

- (C) To signify changed listing rule, or condition which may affect rates or charges
- (D) To signify discontinued material, including listing rate, rule or condition
- (I) To signify increase
- (L) To signify material relocated from or to another part of tariff schedules with no change in text, rate, rule or condition
- (N) To signify new material including listing, rate, rule or condition
- (R) To signify reduction
- (T) To signify change in wording of text but not change in rate, rule or condition.

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Advice No. 279 Fred R. Meyer Date Filed AUG 21 1996
Vice President Effective SEP 30 1996
Dec. No. Regulatory Affairs Resolution No.

TITLE

PRELIMINARY STATEMENT

(Continued)

I. Water Revenue Adjustment Mechanism (WRAM) Balancing Account

1. Purpose

The purpose of the WRAM Balancing Account is to track differences between recorded quantity rate water revenues received under tiered rates to the equivalent rate revenues received if San Jose Water Company had single quantity rates, known as uniform rates, for residential customers. The Commission has determined that the accounting mechanism is appropriate in coordination with a trial program of increasing block rate structures and increased conservation activities.

2. Applicability

The WRAM Balancing Account is applicable to all areas served.

3. Definitions

- a) Non-WRAM revenue is all revenue excluded from the WRAM account, including metered service charges, residential quantity charges billed at the uniform rate, non residential quantity charges, and public and private fire protection service and other unmetered miscellaneous revenue. In addition, surcharges and surcredits, unless specifically included in adopted revenue requirement, will be excluded from WRAM tracking.
- b) WRAM-eligible revenue is all revenue not excluded in 3.a, above. Generally, WRAM eligible revenue results from potable quantity charges to residential customers being charged tiered rates and not uniform rates.
- c) Recorded WRAM-eligible revenue is the amount of residential tiered usage-related revenue billed to qualifying customers in a particular period. (L)
- d) Adopted WRAM-eligible revenue is the amount of residential tiered rate quantity related revenue calculated at uniform rates using actual quantity billed. (L)

4. Accounting Procedure (L)

- a) The following entries will be recorded monthly in the WRAM:
 - 1) Recorded WRAM-eligible revenue.
 - 2) Adopted WRAM-eligible revenue.
 - 3) Total WRAM balance = (1) minus (2)
 - 4) A negative (-) balance in the memorandum account reflects a utility over collection to be refunded, while a positive balance reflects a utility under-collection to be recovered in rates.
- b) The Company will record the accumulated WRAM balance monthly, by adding its entry in Section a.3 above to the prior accumulated monthly balance.
- c) Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 90 Day Non-financial Commercial Paper Interest rate as reported in the Federal Reserve Statistical Release, to the average of the beginning of month and the end of month balances.

5. Disposition (L)

If the accumulated balance for WRAM exceeds 2% of the total authorized revenue requirement for the prior calendar year, the Company will file an advice letter to amortize the balance. If the cumulative 2% threshold is not met, the balance in the account will be amortized in San Jose's next General Rate Case. The recovery of under-collections or refunds of over-collections will be passed on to the customers through volumetric surcharges or surcredits.

(Continued)

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Advice Letter No.: 614

John Tang
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TITLE

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PRELIMINARY STATEMENT

(Continued)

J. Pension Expense Balancing Account

1. Purpose

(L)

The purpose of the Pension Expense Balancing Account is to track differences between recorded cash contributions to the San Jose Retirement Plan with San Jose Water Company's recovery of this expense for rate-making purpose capped at a level of pension expense calculated according to the method prescribed by Statement of Financial Accounting Standards No.87 for each concurrent year.

2. Applicability

(L)

The Pension Expense Balancing Account is applicable to all pension expenses.

3. Definitions

(L)

a) Recorded Cash Contributions to Retirement Plan are all recorded payments made to San Jose Water Company's Pension Plan Expenses capped at the level of pension expense calculated according to the method prescribed by Statement of Financial Accounting Standards Number 87 for each concurrent year.

b) Authorized Pension Expense for Ratemaking purposes are the authorized amounts included for ratemaking purposes per D.22-10-005 (2022-2024) and D.24-12-077 (2025-2027).

(T)

4. Accounting Procedure

(L)

a) The following entries will be recorded monthly in the Pension Expense Balancing Account:

- 1) Recorded Cash Contributions to Retirement Plan
- 2) Authorized Pension Expense for Ratemaking Purposes.
- 3) Total net Pension Expense Balancing Account balance = (1) minus (2)
- 4) A negative (-) balance in the memorandum account reflects a utility over collection to be refunded, while a positive balance reflects a utility under-collection to be recovered in rates.

b) The Company will record the accumulated Pension Expense Balance Account monthly, by adding its entry in Section a.3 above to the prior accumulated monthly balance.

c) Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 90 Day Non-financial Commercial Paper Interest rate as reported in the Federal Reserve Statistical Release, to the average of the beginning of month and the end of month balances.

5. Disposition

If the accumulated balance for Pension Expense Balancing Account exceeds 2% of the total authorized revenue requirement for the prior calendar year, the Company will file an advice letter to amortize the balance. If the cumulative 2% threshold is not met, the balance in the account will be amortized in San Jose's next General Rate Case. The recovery of under-collections or refunds of over-collections will be passed on to the customers through volumetric surcharges or surcredits.

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PRELIMINARY STATEMENT
(Continued)

L. Operational Energy Efficiency Program Memorandum Account (OEEPMA)

(L)

1. Purpose

The purpose of the Operational Energy Efficiency Program Memorandum Account (OEEPMA) is to track the Operational Energy Efficiency Program (OEEP) project expenditures incurred by SJWC and any reimbursements received from Pacific Gas and Electric Company.

2. Accounting Procedure

SJWC shall track all OEEP related costs paid by SJWC including the cost of equipment, outside contractors, software, and administrative support. OEEP administrative support is shared equally between California American Water Company, California Water Service, Golden State Water Company, and San Jose Water Company. SJWC shall also track any reimbursement for OEEP related costs paid by Pacific Gas and Electric Company.

A debt entry will be created each month to record costs. A credit entry will be created each month for any reimbursements.

Interest shall accrue to the OEEPMA on a monthly basis by applying a rate equal to one-twelfth of the 3-month Commercial Paper Rate, as reported by the Federal Reserve Statistical Release.

3. Rate Recovery

SJWC may seek rate recovery of the OEEPMA in its next general rate case or through a Tier 3 advice letter filing.

4. Effective Date

The OEEPMA is effective as of November 23, 2009.

(D)

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TITLE

N. Data Sharing Cost Tracking Memorandum Account (DSCMA)

(L)

1. Purpose

The purpose of the Data Sharing Cost Tracking Memorandum Account (DSCMA) is to record all one-time and on-going data sharing costs associated with implementing CPUC Guidelines for Sharing Low-Income Customer Information not already included in rates.

2. Accounting Procedure

SJWC shall record all one-time and ongoing costs paid by SJWC relating to low-income customer data sharing with energy utilities.

A debt entry will be created each month to record costs.

Interest shall accrue to the DSCMA on a monthly basis by applying a rate equal to one-twelfth of the 3-month Commercial Paper Rate, as reported by the Federal Reserve Statistical Release.

3. Rate Recovery

SJWC may seek rate recovery for the costs recorded in the DSCMA in its next general rate case after the data sharing program is fully implemented or by filing a Tier 3 advice letter.

4. Effective Date

The DSCMA is effective as of July 8, 2011.

(D)

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PRELIMINARY STATEMENT
(Continued)

- P. Drinking Water Fees Memorandum Account** **(D)**
1. Purpose **(L)**
 The purpose of the Drinking Water Fees Memorandum Account (DWFMA) is to track the difference between actual drinking water fees charged by the State Water Resources Control Board (based on the revised fee structure made effective on September 22, 2021) and the drinking water fees authorized in San Jose Water Company's General Rate Case Decision D.18-03-035 for 2021 and future adopted fees for 2022-23-24 as determined by the Commission. SJWC is currently going through a GRC proceeding and waiting settlement .
2. Applicability
 The DWFMA will track the difference between the annual drinking water fees charged by the State Water Resources Control Board and the drinking water fees authorized in general rate case decision
- D.20-10-005 adopted fees for 2022-23-24 as determined by the Commission. Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 3-month non-financial Commercial Paper, as reported in the Federal Reserve Statistical Release, to the average of the beginning of month and the end-of-month balances. **(T)**
3. Disposition **(L)**
 If the accumulated balance for the DWFMA exceeds 2% of the total authorized revenue requirement for the prior calendar year, the Company will file an advice letter to amortize the balance. Prior to recovery, charges made to the DWFMA are subject to a reasonableness review in the Company's next General Rate Case effective in 2025 or in an appropriate advice letter filing. The recovery of over or under-collections will be passed on to the customers through volumetric surcredits or surcharges.
4. Effective Date
 The DWFMA shall go into effect on the effective date of Advice Letter No. 572. The DWFMA will sunset with the effective date of the Test Year 2025 rates authorized in SJWC's next General Rate Case Decision. **(D)**

(continued)

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JOHN TANG

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Regulatory Affairs

Resolution No. _____

TITLE

PRELIMINARY STATEMENT
(Continued)

- R. SRF Loan I Balancing Account** **(D)**
(L)
1. Purpose
The purpose of the SRF Loan I Balancing Account is to track differences between recorded revenues collected through the surcharge to fund the repayment of the SRF Loan I and the payments of principal and interest for the Safe Drinking Water State Revolving Fund (SDWSRF) loan pursuant to D.03-07-013 dated July 10, 2003
 2. Applicability
The SRF Loan I Balancing Account is applicable to recorded surcharge revenue and payments of principal and interest on SRF Loan I.
 3. Definitions
 - a. Recorded SFR Loan I Surcharge Revenue are revenues recorded for the SFR Loan I Surcharge authorized per D.03-07-013, D.04-08-022 and Advice Letters 364A and 452.
 - b. Payments of Principal and Interest for SFR Loan I are all principal and interest payments made by San Jose Water Company (SJWC) to repay the indebtedness of the SDWSRF loan authorized in D.03-07-013 and D.04-08-022
 4. Accounting Procedure
 - a. The following entries will be recorded monthly in the SRF Loan I Balancing Account:
 1. Recorded Revenue from SFR Loan I Surcharges.
 2. Recorded Principal and Interest Payments made by SJWC for SRF Loan I
 3. Total net SFR Loan I Account balance = (1) minus (2)
 4. A negative (-) balance in the balancing account reflects a utility under collection to be recovered in rates, while a positive balance reflects a utility over collection to be refunded.
 - b. The Company will record the accumulated SRF Loan I balance monthly, by adding its entry in Section a3. above to the prior accumulated monthly balance.
 - c. Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 90 Day Non-financial Commercial Paper Interest Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

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PRELIMINARY STATEMENT
(Continued)

R. SRF Loan I Balancing Account (L)
(Continued)

5. Disposition

When the accumulated balance for the SRF Loan I Balancing Account approaches a zero balance, the Company will remove the SFR Loan Surcharge I surcharge and file an advice letter to remove the SRF Loan I surcharge authorized in AL 452 from the tariffs. The under-collections or over-collections of the this balancing account will be amortized in San Jose Water Company's next General Rate Case.

S. SRF Loan II Balancing Account (L)

1. Purpose

The purpose of the SRF Loan I Balancing Account is to track differences between recorded revenues collected through the surcharge to fund the repayment of the SRF Loan II and the payments of principal and interest for the Safe Drinking Water Sate Revolving Fund (SDWSRF) loan pursuant to D.05-01-048 dated January 27, 2005.

2. Applicability

The SRF Loan II Balancing Account is applicable to recorded surcharge revenue and payments of principal and interest on SRF Loan II.

3. Definitions

- a. Recorded SFR Loan II Surcharge Revenue are revenues recorded for the SFR Loan II Surcharge authorized per D.05-01-048 and Advice Letters 395.
- b. Payments of Principal and Interest for SFR Loan II are all principal and interest payments made by San Jose Water Company (SJWC) to repay the indebtedness of the SDWSRF loan authorized in D.05-01-048.

4. Accounting Procedure

- a. The following entries will be recorded monthly in the SRF Loan II Balancing Account:
 - 1. Recorded Revenue from SFR Loan II Surcharges.
 - 2. Recorded Principal and Interest Payments made by SJWC for SRF Loan II
 - 3. Total net SFR Loan II Account balance = (1) minus (2)
 - 4. A negative (-) balance in the balancing account reflects a utility under collection to be recovered in rates, while a positive balance reflects a utility over collection to be refunded.
- b. The Company will record the accumulated SRF Loan II balance monthly, by adding its entry in Section a3. above to the prior accumulated monthly balance.
- c. Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 90 Day Non-financial Commercial Paper Interest Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

5. Disposition

When the accumulated balance for the SRF Loan II Balancing Account approaches a zero balance, the Company will remove the SFR Loan Surcharge II surcharge and file an advice letter to remove the SRF Loan II surcharge authorized in AL 395 from the tariffs. The under-collections or over-collections of the this balancing account will be amortized in San Jose Water Company's next General Rate Case.

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Resolution No. _____

TITLE

PRELIMINARY STATEMENT
(Continued)

T. CATASTROPHIC EVENT MEMORANDUM ACCOUNT (CEMA)

1. Purpose
The Commission's blanket authorization to establish Catastrophic Event Memorandum Accounts (Commission Resolution No. E-3238, dated July 24, 1991) will ensure that all potentially affected utilities are provided the maximum incentive to restore service immediately after declared disasters. Resolution E-3238 required the utilities to notify the Commission's Executive Director by letter within 30 days after the catastrophic event, if possible, if it has started booking costs to the CEMA.
2. Applicability
The CEMA will record costs associated with:
(a) restoring utility service to its customers;
(b) repairing, replacing or restoring damaged utility facilities; and
(c) complying with government agency orders resulting from declared disasters.
Entries to the account will be segregated by qualifying event.
3. Disposition
If the accumulated balance for the CEMA exceeds 2% of the total authorized revenue requirement for the prior calendar year, the Company will file an advice letter to amortize the balance. Prior to recovery, charges made to the CEMA are subject to a reasonableness review. The recovery of under-collections will be passed on to the customers through volumetric surcharges."

(D)

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Resolution No. _____

TITLE

PRELIMINARY STATEMENT
(Continued)

V. Polyfluoroalkyl Substances (PFAS) Memorandum Account

(N)

1. Purpose

The purpose of the Polyfluoroalkyl Substances Memorandum Account (PFASMA) is to track incremental operating costs and expenses that are not otherwise covered in San Jose Water Company'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 perand polyfluoroalkyl substances ("PFAS") (such as perfluorooctanoic (PFOA) and perfluorooctanesulfonic acid (PFOS)) in drinking water.

2. Applicability

The entries in the PFASMA will track the incremental operating and administrative costs incurred in order to comply with the regulatory standards set by the State Water Resources Control Board to detect, monitor, report, and remediate perand polyfluoroalkyl substances ("PFAS") (such as perfluorooctanoic (PFOA) and perfluorooctanesulfonic acid (PFOS)) in drinking water and shall include, but is not limited to:

- a. Laboratory testing and monitoring fees;
- b. Customer outreach costs and public notifications;
- c. Chemical and operating costs for treatment;
- d. Incremental labor and necessary labor costs associated with complying with the regulatory standards set by the State Water Resources Control Board to detect, monitor, report, and remediate perand polyfluoroalkyl substances ("PFAS") (such as perfluorooctanoic (PFOA) and perfluorooctanesulfonic acid (PFOS));
- d. A debit entry shall be made to the PFASMA at the end of each month to record the expensed as discussed above;
- f. Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 90-day Non-financial Commercial Paper, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

3. Disposition

If the accumulated balance for the Polyfluoroalkyl Substances Memorandum Account exceeds 2% of the total authorized revenue requirement for the prior calendar year, the Company will file an advice letter to amortize the balance. If the cumulative 2% threshold is not met, the balance in the account will be amortized in San Jose's next General Rate Case. The recovery of under-collections or refunds of over-collections will be passed on to the customers through volumetric surcharges or surcredits.

4. Effective Date

The PFASMA shall go into effect on March 1, 2019.

5. Sunset Date

The PFASMA will remain in effect until new rates incorporating the requirements for treatment and remediation of PFAS/PFOS are placed into effect under the Company's next General Rate Case decision.

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Advice No. 552

JOHN TANG

Date Filed 08/18/2020

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Regulatory Affairs

Resolution No. _____

TITLE

PRELIMINARY STATEMENT
(Continued)

W. Water Conservation Expense Memorandum Account

1. Purpose

The purpose of the Water Conservation Expense Account (WCEMA) is to track all operational and administrative costs associated with the implementation of Rule 14.1, Section A, as requested in AL 564 and surcharges and fees implemented after AL 569 (surcharges and fees implemented from AL 569 will remain in WCMA). (N)

2. Applicability

The WCEMA will track the operating and administrative costs incurred in developing and implementing expanded and/or new conservation program under Rule 14.1, Section A and drought surcharges and fees including: (N)

- a. Customer education and outreach activities.
- b. Program monitoring, data recording and reporting expense.
- c. Operational costs, such as water supply cost changes, associated with mandatory conservation compliance.
- d. Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 3-month non-financial Commercial Paper, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.
- e. Drought surcharges and fees collected from Schedule 14.1 (with the exception of amount collected from the implementation of AL 569). (N)

3. Disposition

If the accumulated balance for the WCEMA exceeds 2% of the total authorized revenue requirement for the prior calendar year, the Company will file an advice letter to amortize the balance. Prior to recovery, charges made to the Mandatory Conservation Memorandum Account are subject to a reasonableness review in the Company's next General Rate Case or in an appropriate advice letter filing. The recovery of under-collections or refunds of over-collections will be passed on to the customers through volumetric surcharges or surcredits.

4. Effective Date

The WCEMA shall go into effect on the effective date of Advice Letter No. 564.

X. Water Conservation Memorandum Account

1. Purpose

The purpose of this Water Conservation Memorandum Account (WCMA) is to track impacts of mandatory or voluntary conservation under Rule 14.1 or Schedule 14.1 on quantity revenues for future disposition. The Commission has determined that this mechanism is appropriate in coordination with increasing water conservation activities or mandatory conservation required by outside governmental agencies or entities. The water revenues subject to this account include but are not limited to those which may be affected by Rule 14.1 and Schedule 14.1. (N)

2. Applicability

The WCMA is applicable to all quantity related rate revenue.

3. Definitions

- a. Non- WCMA revenue is all revenue excluded from the WCMA account, such as metered service charges and public and private fire protection service. In addition, surcharges and surcredits, unless specifically included in adopted revenue requirement, will be excluded from WCMA tracking.
- b. WCMA -eligible revenue is all revenue not excluded in 3.a, above.
- c. Recorded WCMA -eligible revenue is the amount of quantity rate revenue collected from customers in any particular period.
- d. Adopted WCMA eligible revenue is the amount of quantity related revenue necessary in conjunction with adopted non- WCMA revenue to generate the adopted revenue requirement.

(Continued)

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Regulatory Affairs

Resolution No. _____

TITLE

PRELIMINARY STATEMENT

(Continued)

X. Water Conservation Memorandum Account (Continued)

4. Accounting Procedure

- a) The following entries will be recorded monthly in the WCMA:
 - 1) Most recently adopted water sales revenue on the effective date of Advice Letter 564 adjusted for all subsequent rate increases.
 - 2) Actual water sales revenue collected adjusted for existing Revenue Adjustment Mechanism. The actual water sales revenue collected in the WCMA will be kept distinct from revenue tracked by SJWC's Monterey-style WRAM.
 - 3) Most recently adopted variable expenses for purchased water, pump tax and power.
 - 4) Actual recorded variable expenses.
 - 5) Drought surcharges and fees collected from Schedule 14.1 activated via AL 569 (future surcharges and fees will be tracked in WCEMA)
 - 6) Total net WCMA balance = (1 minus 2) minus (3 minus 4) minus 5.
 - 7) A negative (-) balance in the memorandum account reflects a utility over collection to be refunded, while a positive balance reflects a utility under-collection to be recovered in rates.
- b) The Company will record the accumulated WCMA balance monthly, by adding its entry in Section a.5. above to the prior accumulated monthly balance.
- c) Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 90 Day Non-financial Commercial Paper Interest rate as reported in the Federal Reserve Statistical Release, to the average of the beginning of month and the end of month balances.
- d) Before seeking recovery of the WCMA balance, shall be reduced by an amount equal to a 20-basis point reduction in the most recently adopted return on equity.

5. Disposition

If the accumulated balance for WCMA exceeds 2% of the total authorized revenue requirement for the prior calendar year, the Company will file an advice letter to amortize the balance. If the cumulative 2% threshold is not met, the balance in the account will be amortized in San Jose's next General Rate Case. The recovery of under-collections or refunds of over-collections will be passed on to the customers through volumetric surcharges or surcredits.

6. Effective date

The WCMA shall go into effect on the effective date of Advice Letter No.564.

7. Sunset Date:

The WCMA shall remain in effect until the Wholesaler declares the water shortage is over and the mandatory conservation mandates are ceased.

(D)

(Continued)

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PRELIMINARY STATEMENT

(Continued)

(D)

Z. Intervenor Compensation

1. Purpose

The purpose of the Intervenor Compensation balancing accounts to track the compensation paid to qualified parties in proceedings before the Commission (allowable fees and costs).

2. Applicability

The Intervenor Compensation balancing account will track the compensation paid to qualified parties in Commission proceedings (General Rate Case, Order Instituting Investigation, Order Instituting Investigation, etc.). Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 3 month non-financial Commercial Paper rate, as reported in the Federal Reserve Statistical Reserve, to the average of the beginning of the month and the end-of-month balances.

3. Disposition

If the accumulated balance for Intervenor Compensation balancing account exceeds 2% of the total authorized revenue requirement for the prior calendar year, SJWC will file an advice letter to amortize the balance. If the cumulative 2% threshold is not met, the balance in the account will be amortized in SJWC's next General Rate Case. The recovery of under-collections will be passed on to the customers through volumetric surcharges.

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PRELIMINARY STATEMENT
(Continued)

AA.	Full Cost Balancing Account (FCBA)	(N)
	<p>1. Purpose The purpose of FCBA is to track the supply expense difference cause by the the difference between the recorded unit cost for supply (\$/CCF) and adopted unit cost supply (\$/CCF).</p> <p>2. Applicability The FCBA is applicable to the following supply costs:</p> <ul style="list-style-type: none"> a. Purchased Water (Potable and Recycle) b. Pump Tax c. Purchased Power <p>3. Definitions</p> <ul style="list-style-type: none"> a. Total Recorded Production (CCF) - Recorded Purchased Water (Potable and Recycled) + Ground Water + Surface Water b. Total Adopted Production (CCF) - Authorized Purchased Water (Potable and Recycled) + Ground Water + Surface Water c. Total Recorded Supply Expense (\$) - Recorded Purchased Water (Potable and Recycled) + Pump Tax + Purchased Power d. Total Adopted Supply Expense (\$) - Authorized Purchased Water (Potable and Recycled) + Pump Tax + Purchased Power e. Recorded Unit Cost - Total Recorded Supply Expense divided by Total Recorded Production (\$/CCF) f. Adopted Unit Cost - Total Adopted Supply Expense divided by Total Adopted Production (\$/CCF) <p>4. Accounting Procedure</p> <ul style="list-style-type: none"> a. The following entries will be recorded monthly in the FCBA: <ul style="list-style-type: none"> 1. Total Recorded Supply Expense 2. Total Recorded Production 3. Recorded Unit Cost = (1) divided by (2) 4. Adopted Unit Cost = Total Adopted Supply Expense divided by Total Adopted Production 5. Net Change in Unit Cost = (4) minus (3) 6. Recorded Production 7. Net Change in Total Supply Cost = (5) x (6) 8. A positive (+) balance in the balancing account reflects a utility over collection to be refunded, while a negative (-) balance reflects a utility under collection to be recovered in rates. b. The Company will record the accumulated FCBA balance monthly, by adding its entry in Section a7 above to the prior accumulated monthly balance. c. Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 90 Day Non-financial Commercial Paper Interest Rate as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances. <p>5. Disposition If the accumulated balance for the FCBA exceeds 2% of the total authorizer revenue requirement for the prior calendar year, SJWC will file an advice letter to amortize the balance. If the cumulative 2% threshold is not met, the balance in the account will be amortized in SJWC's next General Rate Case. The recovery of under-collection will be pass to the customer volumetric surcharge and an over-collection will be refunded in a flat sur-credit.</p>	(N)

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TITLE

PRELIMINARY STATEMENT

(Continued)

BB. Customer Assistance Program Balancing Account

1. Purpose

The purpose of the balancing account is to track the Customer Assistance Program (CAP formerly called WRAP) expenses against revenue collected through CAP surcharge.

2. Applicability

The Customer Assistance Program Balancing Account is applicable to all customers served.

3. Definitions

- a) Customer Assistance Program Surcharge Revenue - revenue collected from non-CAP customers to fund CAP program.
- b) Recorded CAP Expenses – CAP discount provided to CAP customers and administrative expenses to run the CAP program (if any).
- c) Recorded Credit Card Expenses-Credit card/ Debit card and other forms of electronic payment (Google pay, Apple pay, VENMO) fees. (N)

4. Accounting Procedure

- a) The following entries will be recorded monthly in the Customer Assistance Program Balancing Account:
 - 1) Recorded CAP Surcharge Revenue
 - 2) Recorded CAP Expenses – CAP discount provided to the CAP customers and administrative expenses to run the CAP program (if any)
 - 3) Recorded Credit Card Expenses-Fees incurred when customers pay bills with credit/debit cards or other forms of electronic payments. (N)
 - 4) Total net CAP Balancing Account = (1) minus (2) minus (3). (N)
 - 5) A positive (+) balance in the balancing account reflects a utility over-collection to be refunded, while a negative balance reflects a utility under collection to be recovered in rates.
- b) The Company will record the accumulated CAP balance monthly, by adding its entry in Section a.4 above to the prior accumulated monthly balance. (C)
- c) Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 90-Day Non-financial Commercial Paper Interest Rate, as reported in the Federal Reserve Statistical release, to the average of the beginning of month and the end of month balances.

5. Disposition

If the accumulated balance for the Customer Assistance Program (CAP) Balancing Account exceeds 2% of the total authorized revenue requirement for the prior calendar year, SJWC will file an advice letter to amortize the balance. If the cumulative 2% threshold is not met, the balance in the account will be amortized in SJWC's next General rate Case. The recovery of under-collections will be through a volumetric surcharge and over-collections will be refunded through a flat sur-credit.

(Continued)

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PRELIMINARY STATEMENT
(Continued)

CC. Lead and Copper Rule Revisions Memorandum Account (LCRRMA)

1. **Purpose**

The purpose of the LCRRMA is to track for potential future recovery any incremental expenses and carrying costs on capital investments incurred by San Jose Water Company (SJWC) that are required to comply with the United States Environmental Protection Agency's (EPA) Lead and Copper Rule Revisions (LCRR) that are not otherwise covered in SJWC's authorized rates.

2. **Applicability**

SJWC expects to incur expenses related to incremental operations and maintenance (O&M) costs, and carrying costs on capital investments that may be required. Costs may include but are not limited to the following:

- Development of service line material inventories for each of SJWC's water systems;
- Preparation of Lead Service Line Replacement (LSLR) Plans for each system;
- Replacement of service lines (if necessary);
- Preparation of a Standard Operating Procedure (SOP) for the development and ongoing maintenance of the customer service line inventories;
- Development of sampling plans for lead and copper compliance monitoring at the taps of customers, daycares and schools for each system;
- Development of school and child care facility inventories for all SJWC's systems, and reparation for and the cost of sampling in these facilities; and
- Preparation of messaging for public education and customer notifications.

3. **Accounting Procedure**

The LCRRMA does not have a rate component.

- a. A debit entry shall be made to the LCRRMA to record the costs described above in Section 2 (Applicability)
- b. Interest shall accrue to the LCRRMA on a monthly basis by applying a rate equal to one twelfth of the 3-month Commercial Paper Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and end-of balances.
- c. A debit entry equal to the revenue of each capital expenditure at SJWC's authorized rate of return and related expenses (including return, income taxes, ad valorem tax, depreciation, and other taxes and fees).
- d. A credit entry to transfer all or portion of the balance in the LCRRMA to other adjustment clauses for future rate recovery, as may be approved by the CPUC.

4. **Effective Date**

The LCRRMA shall go into effect on the effective date of Advice Letter 595.

5. **Disposition**

Disposition of amounts recorded in the LCRRMA shall be determined in SJWC's next General Rate Case.

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PRELIMINARY STATEMENT
(Continued)

DD. Water Cost of Capital Adjustment Mechanism (WCCM)

1. **Purpose**

The purpose of the Water Cost of Capital Adjustment Mechanism (WCCM) is to provide an automatic adjustment, up or down, to San Jose Water Company's (SJWC) adopted return on Decision 23-06-025, for rates implemented in 2023 after a final decision is adopted, and for rates implemented in 2024, only if there is a positive or negative difference of more than 100 basis points between a benchmark and the average of Moody's utility bond rates for a given 12-month period.

2. **Applicability**

The WCCM is applicable to all rate schedules.

3. **Procedure**

SJWC shall maintain the WCCM as follows:

- a. SJWC's initial benchmark is equal to the average interest rate of Moody's Aa Utility Bond Index if it has an AA or A credit-rating or higher, or Moody's Baa Utility Bond Index if SJWC has a BBB+ credit-rating or lower, for the period October 1, 2020 to September 30, 2021.
- b. If the "deadband" (the range of change in interest rates that may occur without automatically triggering a change in the return on equity) of 100 basis points is exceeded, SJWC's return on equity will be adjusted by one-half of the difference between the benchmark and the October 1 to September 30 average.
- c. In any year where the 12-month October through September average of the Moody's Utility Bond Index rates triggers an automatic return on equity adjustment, that average becomes the new benchmark.
- d. For rates implemented in 2023 after a final decision is adopted in D.23-06-025, the initial benchmark shall be compared to the average interest rate of Moody's Aa Utility Bond Index if it has an AA or A credit-rating or higher, or Moody's Baa Utility Bond Index if SJWC has a BBB+ credit-rating or lower, for the period October 1, 2021 to September 30, 2022.
- e. For rates implemented in 2023 after a final decision is adopted in D.23-06-025, if the 100 basis point deadband is exceeded, SJWC will submit a Tier 2 advice letter that updates return on equity and related rate adjustments to become effective for the rest of 2023. The advice letter would also update long-term debt and preferred stock costs to reflect actual embedded costs in that year and forecasted interest rates for variable long-term debt and new long-term debt and preferred stock scheduled to be issued.
- f. For rates implemented in 2024, if the 100 basis point deadband is exceeded, SJWC will submit a Tier 2 advice letter by October 15, 2023 that updates return on equity and related rate adjustments to become effective on January 1, 2024. The advice letter would also update long-term debt and preferred stock costs to reflect actual August month-end embedded costs in that year and forecasted interest rates for variable long-term debt and new long-term debt and preferred stock scheduled to be issued.
- g. SJWC's capital structure, as adopted in D.23-06-025 shall not be adjusted
- h. If the WCCM is triggered, workpapers outlining the calculations relating to the change in return on equity, long-term debt costs, and preferred stock costs are required to accompany the advice letter.

4. **Effective Date**

The WCCM shall be effective for rates implemented in 2023 after D.23-06-025 and for rates implemented in 2024, unless modified by order of the Commission.

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TITLE

PRELIMINARY STATEMENT

EE. Group Insurance Balancing Account (GIBA)

(N)

1. **Purpose**

The purpose of the Group Insurance Balancing Account (GIBA) is to track the difference between Commission Authorized net Company costs of group insurance and the actual costs incurred.

2. **Applicability**

The GIBA is applicable to expense related to medical, dental, and opt-out insurance expenses.

3. **Definitions**

- a. Authorized Group Insurance Expenses – Company medical, dental, and opt-out insurance expenses authorized in rates.
- b. Recorded Group Insurance Expenses – Actual recorded company medical, dental, and opt-out insurance expenses.

4. **Accounting Procedure**

The following entries will be recorded monthly in the GIBA:

- 1. Authorized Group Insurance Expenses
- 2. Recorded Group Insurance Expenses
- 3. Total net GIBA = (1) minus (2)
- 4. A negative (-) balance in the account reflects an under-collection to be recovered in rates, while a positive balance reflects a utility over collection to be recovered in rates.
- 5. The Company will record the accumulated GIBA balance monthly by adding its entry in Section a3 above to the prior accumulated monthly balance.
- 6. Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 90 Day Non-financial Commercial Paper Interest Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

5. **Disposition**

SJWC shall report on the status of the balancing account in its general rate case and shall propose adjustment to their rates in the context to amortize under- or over-collection in those accounts subject to reasonableness review. SJWC may propose such rate adjustment by advice letter at any time that the under- or over-collection in any such account exceeds two percent (2%) of annual revenue.

(N)

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TITLE

PRELIMINARY STATEMENT
(Continued)

FF. Drinking Water Fees Balancing Account (DWFBA)

(N)

1. Purpose

The purpose of the Drinking Water Fees Balancing Account (DWFBA) is to track the difference between all actual fees charged by the State Water Resources Control Board (State Board) (based upon the revised fee schedule adopted by the State Board on September 22, 2021, and any subsequent revision) and the State Board fees authorized in rates.

2. Applicability

The DWFBA will track the difference between the annual drinking water fees charged by the State Water Resources Control Board and the drinking water fees authorized in rates. Pursuant to Standard Practiced U-27-W of the Water Division, The DWFBA will earn interest at the 90-days commercial paper rates.

3. Disposition

SJWC shall report on the Status of the balancing account in its general rate case and shall propose adjustments to their rates in the context to amortize under- or over-collections in those accounts subject to reasonableness review. SJWC may propose such rate adjustment by advice letter at any time that the under- or over-collection in any such account exceeds two percent (2%) of annual revenue.

4. Effective Date

The DWFBA shall go into effect on the effective date of Advice Letter No. 572, which is December 15, 2021.

(N)

(continued)

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