



ALJ/ABT/smt 10/3/2025

FILED

10/03/25

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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A2407003

In the Matter of the Application of CALIFORNIA WATER SERVICE COMPANY (U60W), a California corporation, for an order (1) authorizing it to increase rates for water service by \$140,558,101 or 17.1% in test year 2026, (2) authorizing it to increase rates on January 1, 2027 by \$74,162,564 or 7.7%, (3) authorizing it to increase rates on January 1, 2028 by \$83,574,190 or 8.1% in accordance with the Rate Case Plan, and (4) adopting other related rulings and relief necessary to implement the Commission's ratemaking policies.

Application 24-07-003

**ADMINISTRATIVE LAW JUDGE'S RULING GRANTING
MOTION FOR INTERIM RATES AND ASSOCIATED
MEMORANDUM ACCOUNT**

On July 8, 2024, the applicant, California Water Service Company (Cal Water), filed Application (A.) 24-07-003 with the California Public Utilities Commission (Commission) for authority to increase rates for water service by \$140,558,101, or 17.1%, in test year 2026; to increase rates on January 1, 2027, by \$74,162,564, or 7.7%; and to increase rates on January 1, 2028, by \$83,574,190, or 8.1%. The *Assigned Commissioner's Amended Scoping Memo and Ruling* was issued on March 13, 2025, and it set a procedural schedule intended to meet the statutory deadline. It is now apparent that the Commission may not adopt a final

decision before the intended date for rates to be effective on January 1, 2026, the start of the test year for A.24-07-003.

On June 13, 2025, Cal Water filed a Motion for Interim Rates (Motion) to track the difference between the interim rates in effect starting January 1, 2026, and the Commission-approved final rates that would have been in effect during the interim period until final rates are implemented. The Motion was filed pursuant to the Revised Rate Case Plan for Class A Water Utilities (Rate Case Plan) adopted in Decision (D.) 07-05-062, which expressly provides that any request for interim rates “shall also request the establishment of a memorandum account¹ to track the difference between the interim rates and the final rates.”² The Motion was unopposed, and one of the parties, California Water Association, filed a Response on June 30, 2025, supporting the Motion as consistent with the Rate Case Plan and general Commission practice.

As also required by the Rate Case Plan, the parties discussed this motion during status conferences held on August 5, 2025, and October 3, 2025.

Pub. Util. Code Section 455.2 provides that:

... interim rate relief is limited to the ‘rate of inflation.’ The index for determining the rate of inflation will be the most recent 12-month ending change in the U.S. Cities CPI-U

¹ The basic underlying system of ratemaking in California has been, and remains, a forward test year of the expected cost and scope of a utility’s operations. That is, the utility’s rates are set prospectively in a general rate case based upon a forecast of sales and operating costs, plus taxes, interest, and an expected return for the investors based on the investment in long-lived assets that serve the customers. Balancing and Memorandum Accounts were created to reduce the risks to ratepayers and refundable rates are set for the program based upon the best available forecast. Here, interim rates can be subsequently “trued up” so that any revenue shortfall or overcollection is either recoverable by the utility or refundable to ratepayers.

² D.07-05-062 is the Revised Rate Case Plan for Class A Water Utilities. *See*, Appendix A to D.07-05-062, at A-15 through A-16.

[Consumer Price Index for All Urban Consumers] published by the U.S. Bureau of Labor Statistics.³

Therefore, the undersigned Administrative Law Judge (ALJ) may apply this requirement to the interim rates authorized herein, if the ALJ believes it likely that there will be a substantial increase. Cal Water has proposed a 17.1% increase in its Application, although this is subject to updated forecasts during the pendency of this proceeding and any other adjustments that may be adopted in a final decision. The undersigned ALJ finds it more likely than not that the Commission will authorize some increase.

The Rate Case Plan also mandates that the Presiding Officer must determine whether the applicant was responsible for the delay in implementing rates,⁴ determine if the requested rates are appropriate for submitting to the Commission via advice letter and set a specific effective date for interim rates. After considering the scope of this proceeding, and the good-faith efforts by Cal Water and the other parties, the undersigned ALJ finds that the applicant is not responsible for delaying the proceeding by its actions, and, therefore, the ALJ can authorize the interim rates by an advice letter filed timely, within 45 days of this ruling, so that the interim rates may be effective on the first day of the test year.

The Rate Case Plan also provides that an ALJ may authorize interest to accrue on the balance in the Interim Rates Memorandum Account.⁵ Noting that Cal Water seeks up to a 17.1% increase for test year 2026, the undersigned finds

³ *Id.* at A-16.

⁴ *Id.* at A-15.

⁵ “In instances where there are large rate adjustments to be made at the time of implementing final GRC rates, the Commission will incorporate the time value of money that either the ratepayers or shareholders bore for the duration of the interim rate relief period.” (*Id.* at A-15.)

that an allowance for interest is reasonable. Commission practice is to use 30-day commercial paper rate at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H. 15 or its successor.

The undersigned also finds that a Tier 1 Advice Letter is an appropriate ratesetting mechanism to implement interim rates and establish a 2026 Interim Rates Memorandum Account to track the difference between the interim rates authorized herein and the final rates implemented by a final decision in this proceeding.

IT IS RULED that:

1. Within 45-days of the date of this ruling, California Water Service Company shall file a Tier 1 Advice Letter to implement interim rates effective January 1, 2026, the first day of the first test year in the general rate case for Application 24-07-003, and establish a 2026 Interim Rates Memorandum Account to track the difference between the interim rates authorized herein and the final rates implemented by a final decision in this proceeding.
2. As pertaining to Application 24-07-003, California Water Service Company is authorized, pursuant to Decision 07-05-062, to implement interim rates by increasing the rates effective today by the rate of inflation, which will be the most recent 12-month ending change in the U.S. Cities Consumer Price Index for All Urban Consumers published by the U.S. Bureau of Labor Statistics.

3. California Water Service Company is authorized to accrue interest on the 2026 Interim Rates Memorandum Account established in Application 24-07-003, at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H. 15 or its successor.

Dated October 3, 2025, at Sacramento, California.

/s/ ALBERT T ROSAS
Alberto T. Rosas
Administrative Law Judge