STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

FILED
09/02/26
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September 2, 2026

Agenda ID #24500
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 25-07-003:

This is the proposed decision of Administrative Law Judge Lirag Rafael. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's October 8, 2026. Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE
Michelle Cooke
Chief Administrative Law Judge

MLC:abb
Attachment

Decision: **PROPOSED DECISION OF ADMINISTRATIVE LAW JUDGE LIRAG RAFAEL (Mailed 9/2/2026)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of California-American Water Company (U210W) for Authorization to Increase its Revenues for Water Service by $63,090,981 or 17.20% in the year 2027, by $22,067,361 or 5.13% in the year 2028, and by $26,014,600 or 5.75% in the year 2029.	Application 25-07-003

DECISION GRANTING MOTION FOR INTERIM RATES

Summary

This decision grants California-American Water Company's (Cal-Am) motion for interim rate relief pursuant to Public Utilities Code §455.2. In the event that the Commission is not able to issue a decision by January 1, 2027, Cal-Am is authorized to increase rates by an amount equal to inflation as compared to existing rates, effective January 1, 2027. Cal-Am shall establish a memorandum account to track the difference, subject to refund, between the interim rates and the final rates adopted by the Commission in this proceeding.

The mechanisms approved in today's decision will allow Cal-Am and its ratepayers to be financially indifferent to the timing of the issuance of the final decision.

1. Background

On June 29, 2026, California-American Water Company (Cal-Am) filed a motion for interim rate relief in Application (A.) 25-07-003 pursuant to Public Utilities (Pub. Util.) Code §455.2.

Specifically, in the event that the Commission is not able to issue a decision in A.25-07-003 so that new rates cannot become effective by January 1, 2027, Cal-Am requests Commission approval to file a Tier 1 advice letter to increase rates by an amount equal to inflation as compared to existing rates, effective January 1, 2027.

Cal-Am requests that the index for determining the rate of inflation will be the most recent 12-month ending change in the U.S. Cities Consumer Price Index for All Urban Consumers (CPI-U) published by the U.S. Bureau of Labor Statistics. These interim rates will be subject to refund and will be adjusted upward or downward back to the interim rate effective date, consistent with the final rates adopted by the Commission.

To that end, Cal-Am also seeks authorization to establish via Tier 1 advice letter a memorandum account to track any difference between the interim rates and the final rates adopted in this application.

2. Discussion

Pub. Util. Code §455.2 provides for interim rate relief when the Commission is unable to issue its final decision on the general rate case (GRC) application of a water corporation with greater than 10,000 service connections (Class A) in a manner ensuring the decision becomes effective on the first day of the test year (TY) in the application.

Cal-Am is a Class A water corporation and the first day of the TY for its GRC application is January 1, 2027.

The criteria for obtaining interim rate relief under §455.2 are set forth in Decision (D.) 04-06-018 and D.07-05-062. Any request for interim rate relief must demonstrate that the utility has made a substantial showing in the application supporting a rate increase at least equal to the rate of inflation. In addition, the Commission must determine whether the cause for the delay in issuing the final decision is due to actions by the water corporation, and whether interim relief is in the public interest.

A settlement agreement between Cal-Am and Cal Advocates that is currently pending review recommends a rate increase at least equal to the rate of inflation. Most parties had also initially forecasted a rate increase greater than the rate of inflation. Based on these facts, the first requirement is deemed satisfied. We also find the proposed index for determining the rate of inflation reasonable and note that the interim rates will be subject to adjustment once a final decision is issued.

With regards to the second requirement, the procedural schedule set forth in the assigned Commissioner's scoping memo and ruling[1] contemplates that the proceeding will be concluded prior to January 1, 2027. And Cal-Am has complied with said schedule and is not responsible for any delays in the proceeding.

With regards to the third requirement, the Commission has recognized in past decisions that utilities should not be financially harmed from delays in processing GRCs. Denying Cal-Am's request to collect interim rates pending a final decision on this proceeding could financially harm Cal-Am and is not in the public interest.

[1] Issued on September 19, 2025.

Based on the above, we find that the criteria for granting interim rate relief set forth in §455.2 is deemed to have been met. Additionally, no party has protested Cal-Am's motion for interim rate relief.

Cal-Am should therefore be authorized to file with the Commission a Tier 1 advice letter to increase rates for ratemaking areas of its service territory by an amount equal to the rate of inflation as compared to existing rates, effective January 1, 2027. Interim rates shall only be effective in the event that a final decision in this proceeding is not issued, effective on or before January 1, 2027.

In addition, the Tier 1 advice letter must request the establishment of a memorandum account to track the difference, subject to refund, between the interim rates and the final rates adopted by the Commission in this proceeding.

The authorization of a January 1, 2027, revenue requirement effective date does not bind the Commission to adopt Cal-Am's requested GRC revenue requirement, or any portion thereof, as such a determination can only be made upon development of a complete evidentiary record, with full and fair consideration of the record by the Commission.

3. Comments on Proposed Decision

The proposed decision in this matter was mailed to the parties in accordance with Pub. Util. Code §311 and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure.

Comments were filed by __________ on __________. Reply comments were filed by __________ on __________.

4. Assignment of Proceeding

Commissioner Matthew Baker is the assigned Commissioner and Rafael Lirag is the assigned ALJ for the proceeding.

Findings of Fact

1. Pub. Util. Code §455.2 provides for interim rate relief when the Commission is unable to issue its final decision in a GRC application of a Class A water corporation ensuring the decision becomes effective on the first day of the TY.

2. Cal-Am is a Class A water corporation and the first day of the TY for its GRC application is January 1, 2027.

3. The rate increases proposed by most parties and recommended in a settlement agreement is at least equal to the rate of inflation.

4. Utilizing the most recent 12-month ending change in the U.S. Cities CPI-U published by the U.S. Bureau of Labor Statistics as the index for determining the rate of inflation is reasonable.

5. Cal-Am has complied with the procedural schedule and is not responsible for any delays in the proceeding.

6. Denying Cal-Am's request to collect interim rates pending a final decision on this proceeding could financially harm Cal-Am and is not in the public interest.

7. A memorandum account is necessary to track the difference between the interim rates and the final rates adopted by the Commission in this proceeding.

Conclusions of Law

1. In the event that the final decision does not occur before the TY begins on January 1, 2027, it is reasonable to grant Cal-Am's unopposed motion to establish interim rates by an amount equal to inflation as compared to existing rates, effective January 1, 2027, subject to adjustment when a final decision is issued.

2. The criteria for obtaining interim rate relief under Pub. Util. Code §455.2 set forth in D.04-06-018 and D.07-05-062 were complied with.

3. The authorization for a January 1, 2027, revenue requirement effective date does not bind the Commission to adopt Cal-Am's requested GRC revenue requirement, or any portion thereof, as such a determination can only be made upon development of a complete evidentiary record, with full and fair consideration of the record by the Commission.

O R D E R

IT IS ORDERED that:

1. The motion filed by California-American Water Company on June 29, 2026, for interim rate relief in this application, is granted.

2. Within 30 days from the date of this ruling, California-American Water Company shall file by Tier 1 advice letter, a tariff to implement interim rates for its customer service areas equal to inflation as compared to existing rates, to be effective on January 1, 2027. The index for determining the rate of inflation 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. The interim rates specified in Ordering Paragraph 2 shall only be effective in the event that a final decision in this proceeding is not issued, effective on or before January 1, 2027.

4. The Tier 1 advice letter specified in Ordering Paragraph 2 must request the establishment of a memorandum account to track the difference, subject to refund, between the interim rates and the final rates adopted by the Commission in this proceeding.

5. Application 25-07-003 remains open.

6. This order is effective today.

Dated ___, __________, 2026, at Sacramento, California.