

Docket	: <u>A.25-07-003</u>
Exhibit Number	: <u>Cal Adv - #</u>
Commissioner	: <u>Matthew Baker</u>
Administrative Law Judge	: <u>Rafael L. Lirag</u>
Public Advocates Office	
Witness	: <u>Prashanta Adhikari</u>



**PUBLIC ADVOCATES OFFICE
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**REPORT ON TAXES, RATE BASE, and
SPECIAL REQUESTS 2 AND 9**

California American Water Company's
General Rate Case Application 25-07-003
Test Year 2027

San Francisco, California
January 23, 2026

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MEMORANDUM

1 The Public Advocates Office at the California Public Utilities Commission (Cal
2 Advocates) examined application material, data request responses, and other information
3 presented by California American Water Company (Cal Am) in Application (A.) 25-07-
4 003 to provide the California Public Utilities Commission (Commission or CPUC) with
5 recommendations in the interests of ratepayers for safe and reliable service at the lowest
6 cost. Mr. Brian Yu is Cal Advocates' project lead for this proceeding. This Report is
7 prepared by Mr. Prashanta Adhikari. Mr. Mukunda Dawadi is the oversight supervisor.
8 Mr. Niki Bawa and Ms. Ritta Merza are the legal counsel.

9 Although every effort was made to comprehensively review, analyze, and provide
10 the Commission with recommendations on each ratemaking and policy aspect presented
11 in the Application, the absence of any particular issue from Cal Advocates' testimony
12 connotes neither agreement nor disagreement with the underlying request, methodology,
13 or policy position related to that issue.

Chapter #	Description	Witness
1	Income Taxes	Prashanta Adhikari
2	Taxes other than Income	Prashanta Adhikari
3	Rate Base	Prashanta Adhikari
4	Special Requests 2 & 9	Prashanta Adhikari

CHAPTER 1 Income Taxes

INTRODUCTION

3 As a business operating in California, Cal Am's revenue requirement will reflect
4 income tax expenses to both the federal government (Federal Income Taxes or FIT) and
5 the state government (California Corporate Franchise Tax or CCFT). Cal Am estimates
6 FIT of \$19.74 million in Test Year (TY) 2027 and State Income Taxes of \$8.91 million.

II. SUMMARY OF RECOMMENDATIONS

8 The Commission should adopt the income tax amounts recommended by Cal
9 Advocates in Table 1-1 of Cal Advocates' Results of Operation (RO) report.

III. ANALYSIS

11 Cal Advocates does not oppose Cal Am’s income tax calculation methodology.
12 Cal Am has changed its calculation method for federally taxable income from the
13 previous General Rate Case (GRC) applications to apply the guidance from prior
14 Commission decisions.¹

15 Cal Am calculates federally taxable income by deducting prior-year approved
16 CCFT.² This is consistent with previous Commission decisions D.89-11-058 and D.17-
17 06-008.³ Cal Am uses the 2025 authorized amount as a temporary placeholder and will
18 change the deduction to 2026 approved CCFT.⁴ The following table shows the

¹ Application of California-American Water Company (U210W) to Increase Revenues in Each of its Districts Statewide, Direct Testimony of Linda Schlessman at 4.

² Cal Am RO Model file “ALL_CH02_SE_RO,” tab: “MOWW RevReq,” cell J140, tab: “SOU RevReq,” cell J140, tab: “NOR RevReq,” cell J140, tab: “CEN RevReq,” cell J140.

³ Attachment 2: Excerpt of D.17-06-008; D.17-06-008 at 38.

⁴ Direct Testimony of Linda Schlessman at 4.

1 difference between Cal Am's 2026 CCFT proposals in the application and the amounts it
2 requests in step rate filings.

3 **Exhibit A: RO Model and Step Rate Filing 2026 CCFT Amounts**

	RO Model ⁵	Advice Letters	Difference
MOWW	\$43,192	\$46,600 ⁶	\$3,409
SOU	\$2,277,182	\$2,543,200 ⁷	\$266,018
NOR	\$2,359,945	\$2,636,700 ⁸	\$276,755
CEN	\$2,147,121	\$2,226,700 ⁹	\$79,679
Total	\$6,827,440	\$7,453,200	\$625,760

4 The Commission should deduct \$7,453,200 from the calculation of TY 2027 FIT.
5 Ratepayers will fund the amounts in the step rate filings through rates and therefore
6 should receive the benefit of that deduction. There is a difference of \$625,760 between
7 the placeholders in the RO Model and the CCFT amounts in the step rate filings. Based
8 on a FIT rate of 21%, this would decrease Cal Am's 2027 FIT expense and rates by
9 \$131,409.60.

10 While Cal Advocates does not disagree with the method Cal Am uses to calculate
11 income taxes, an additional difference exists between estimated amounts as the result of
12 recommendations from other Cal Am witnesses which flow through and change the
13 income tax expense amount. The Commission should adopt the income tax amounts
14 recommended by Cal Advocates in Table 1-1 of Cal Advocates' Results of Operation
15 (RO) report.

⁵ Cal Am RO Model file "ALL_CH02_SE_RO," tab: "Input-Auth State Inc Tax."

⁶ Attachment 3, California-American Water Company Advice Letter (AL) 87-S2026 Step Rates – Wastewater, Workpaper 114, Line 22.

⁷ Attachment 4: AL 1493-A2026 Step Rates, Workpaper 1-136, Line 22.

⁸ Attachment 5: AL 1493-A 2026 Step Rates, Workpaper 1-19, Line 22.

⁹ Attachment 6: AL 1493-A 2026 Step Rates, Workpaper 1-67, Line 23.

1 **IV. CONCLUSION**

Cal Advocates agrees with Cal Am's method of deducting the Commission authorized prior-year approved CCFT to calculate federal taxable income to calculate income taxes. The Commission should adopt the income tax amounts recommended by Cal Advocates in Table 1-1 of Cal Advocates' Results of Operation (RO) report.

CHAPTER 2 Taxes other than Income

INTRODUCTION

3 Cal Am's Taxes Other Than Income includes property taxes, payroll taxes, and
4 franchise fees, among others. Property taxes are levied on properties that Cal Am owns
5 and paid to the relevant local government. Payroll taxes are taxes on employee wages
6 and are used to fund benefits such as Social Security and Medicare. Franchise fees are
7 also called business license fees and are paid to local governments to operate businesses.

II. SUMMARY OF RECOMMENDATIONS

9 The Commission should adopt the Taxes Other Than Income amount
10 recommended by Cal Advocates in Table 5-1 of Cal Advocates' RO report.

III. ANALYSIS

A. Property Taxes

13 Cal Am calculates the property tax rate by dividing 2024 ad valorem taxes
14 by the taxable plant in 2023.¹⁰ The property tax rate is then multiplied by the
15 forecasted taxable plant.¹¹ Cal Advocates does not oppose Cal Am’s method of
16 calculating property taxes. Any differences between Cal Am’s and Cal
17 Advocates’ estimates are due to different estimates of the total plant.¹² The
18 Commission should adopt the property tax amounts recommended by Cal
19 Advocates in Table 5-1 of Cal Advocates’ RO report.

10 *Application of California-American Water Company (U210W) to Increase Revenues in Each of its Districts Statewide, Direct Testimony of Lakhjit Thind at 14.*

¹¹ Cal Am RO Model file “ALL CH05 OTAX RO,” tab: “INP Ad Valorem.”

¹² See, Testimony of Daphne Goldberg, Report on the Central Division Plant and Tank Painting; See, Testimony of Sari Ibrahim, Report on the Construction Work in Progress Southern Districts and Corporate Capital; See, Testimony of Justin Menda, Report on Northern Division Plant.

1 **B. Payroll Taxes**

2 Payroll taxes are comprised of several federal and state level taxes. These
3 include Federal Insurance Contributions Act (FICA) taxes for Social Security
4 (OASDI) & Medicare, the Federal Unemployment Tax Act (FUTA), and the State
5 Unemployment Tax Act (SUTA). The following are Cal Am's proposed rates for
6 these various payroll tax categories:¹³

7 • OASDI 6.2%
8 • Medicare 1.45%
9 • FUTA 1.86%
10 • SUTA 3.2%

11 These tax rates are consistent with federal and state level government
12 rules.¹⁴ Cal Advocates does not have an issue with Cal Am's calculation of
13 payroll taxes. However, the final amounts may differ due to varying payroll
14 recommendations.¹⁵ The Commission should adopt the payroll tax amounts
15 recommended by Cal Advocates in Table 5-1 of Cal Advocates' RO report.

16 **C. Franchise Fees**

17 Franchise fees are fees paid to cities for the use of public ground, for
18 operational needs such as construction and maintaining equipment. Cal Am does
19 not collect franchise fees through rates; it collects them through surcharges.

20 Franchise fees appear on ratepayer bills as part of the tax portion.¹⁶ Cal Am

¹³ Cal Am RO Model file "ALL_CH04_O&M_WP_Labor," tab: "INP - Labor Benefits."

¹⁴ [2024 Federal and State Payroll Taxes \(DE 202\) Rev. 14 \(12-24\)](#)

¹⁵ Testimony of Sam Lam, Cal Advocates' Report on Labor & Benefits, Total Compensations, Special Requests No. 1 and 7.

¹⁶ How to Read Your Water Bill, California American Water, available at:
<https://amwater.com/caaw/resources/PDF/Customer-Service-Billing/california-americanwater-howtoreadyourbill-CAW.pdf> [accessed December 28, 2025]

1 updates franchise fee rates through advice letters.¹⁷ Cal Advocates does not
2 oppose Cal Am's method of collecting franchise fees.

3 **IV. CONCLUSION**

4 The Commission should adopt the taxes other than income amount recommended
5 by Cal Advocates in Table 5-1 of Cal Advocates' RO report.

¹⁷ Attachment 7: Excerpt from AL 1486

CHAPTER 3 Rate Base

2 I. INTRODUCTION

3 This chapter presents analysis and recommendations regarding Cal Am's proposed
4 Rate Base for TY 2027 and TY 2028, including allowance for working cash, deferred
5 taxes, depreciation reserve, and adjustments to the utility plant. Cal Am proposes \$1.25
6 billion in rate base in TY 2027 and \$1.37 billion in TY 2028.

7 II. SUMMARY OF RECOMMENDATIONS

8 A. The Commission should use a waste disposal expense lag of 37.5 days in the
9 Southern Division.

10 B. The Commission should incorporate the cost of removal into the calculation of
11 depreciation expense.

12 III. ANALYSIS

13 A. Working Cash Allowance

19 A review of Cal Am's invoices and payments shows that the payment
20 periods ranged from 30 to 45 days.²⁰ Therefore, using a waste disposal expense

¹⁸ Cal Am RO Model file “ALL_CH09_RB_WP_Lead Lag Support,” tab: “EXP_Expense Lag Summary.”

¹⁹ CPUC Standard Practice U-16W, available at:
<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M055/K059/55059235.PDF>

20 Attachment 8: Cal Am's Response to Public Advocates Office's Data Request PAD-02, Question 2, Attachment 1.

1 lag of zero days in the Southern division is inaccurate and does not properly reflect
2 the period Cal Am has to pay its bills. Averaging the payment periods on its
3 invoices (45 and 30 days), Cal Am should have a 37.5-day payment period for
4 waste disposal expenses in its Southern Division. Therefore, the Commission
5 should use a 37.5-day lag for waste disposal expenses to calculate the allowance
6 for working cash.

7 Currently, including a Southern Division waste disposal expense lag of 0
8 days, Cal Am requests a working cash allowance of \$26.45 million. Changing the
9 Southern Division waste disposal expense lag will reduce the working cash
10 allowance by \$122. In addition, changes made to expense amounts by other Cal
11 Advocates witnesses will cause further changes to the allowance for working cash.
12 The Commission should adopt the working cash amounts from table 9-1 of the Cal
13 Advocates RO Report for TY 2027 and from table 9-2 for 2028 .

14 **B. Depreciation Reserve and Expense**

15 The Commission should not allow Cal Am to reduce the depreciation
16 amount before adding it to the depreciation reserve. Cal Am's proposal requests
17 that the ratepayers' paid depreciation amount be reduced by Cal Am's estimated
18 cost of removal before adding it to the depreciation reserve.²¹ During discovery,
19 Cal Am confirmed that depreciation expense does not include cost of removal and
20 that the depreciation expense and depreciation reserve are calculated differently.

21 In ratemaking, depreciation expense paid by ratepayers is accumulated in
22 the depreciation reserve to reduce the rate base. By reducing depreciation amount
23 before adding it to the depreciation reserve, Cal Am effectively increases its rate
24 base and charges ratepayers more. Cal Am's proposed methodology requests a
25 depreciation accrual of \$63,553,561 to be included in the revenue requirement for

²¹ Cal Am RO Model file "ALL_CH08_DEPR_RO_Forecast," tab: "OUT_F_Reserve Bal by Dist WS8."

1 TY 2027,²² but proposes to include only \$53,534,410 in the depreciation reserve.²³
2 In this proposal, ratepayers do not receive the benefits of a \$10 million reduction
3 in rate base and are paying an additional rate of return of approximately \$1.5
4 million. Hence, the Commission should order Cal Am to add the full amount of
5 depreciation ratepayers paid in the depreciation reserve.

7 Additionally, this has been Cal Am's approach in the past as well. The
8 table below shows the difference between depreciation expense and depreciation
9 reserve from 2020 to 2024.

10 **Exhibit B: Historical Depreciation Expense vs Depreciation Reserve Accrual**

Year	Depreciation Expense ²⁴	Depreciation Reserve ²⁵	Difference
2020	\$30,861,611	\$18,977,120	\$11,884,490
2021	\$33,516,078	\$33,000,365	\$515,714
2022	\$35,426,673	\$29,651,035	\$5,775,638
2023	\$38,504,527	\$34,264,658	\$4,239,869
2024	\$44,613,744	\$26,149,471	\$18,464,273
Total	\$182,922,633	\$142,042,648	\$40,879,984

11
12 From 2020 to 2024, Cal Am collected \$182 million in depreciation expense
13 from ratepayers, while adding only \$142 million to its depreciation reserve. Cal
14 Am's ratepayers did not receive the benefits of the \$40 million during these years.
15 Hence, at least a \$40 million difference should be added to the depreciation
16 reserve.

²² Cal Am RO Model file “ALL_CH08_DEPR_RO_Forecast,” tab: “OUT_F_RES Accruals by dis WS-10.”

²³ Cal Am RO Model file “ALL_CH08_DEPR_RO_Forecast,” tab: “OUT_F_NET RES ACRU BY DIST WS-9.”

²⁴ Cal Am RO Model file “ALL_CH08_DEPR_RO_Recorded,” tab: “OUT_R_Accruals by Dist WS13.”

²⁵ Cal Am RO Model file “ALL_CH08_DEPR_RO_Recorded,” tab: “OUT_R_NET Accrual Res_Dist WS12.”

1 The Commission should order Cal Am to calculate the depreciation reserve
2 by including all the depreciation expense it collected from ratepayers as per
3 standard ratemaking.

4 Any other difference in Cal Advocates recommended depreciation reserve
5 and expense are the result of differences in recommended depreciation accruals
6 and cost of removal.²⁶

7 **C. Tank Painting Amortization**

8 Cal Advocates does not oppose Cal Am's proposed amortization of tax
9 painting expenses. Any differences in the amounts amortized shown in the RO
10 Tables are due to recommendations of Cal Advocates' witness, Justin Menda,
11 regarding total tank painting amounts.

12 **IV. CONCLUSION**

13 The Commission should adopt Cal Advocates' recommendations for the rate base
14 and the projected total rate base as seen in Cal Advocates RO Table 9-1 for TY 2027 and
15 9-2 for 2028.

²⁶ Cal Advocates' Testimony of Susana Nasserie, Report on Weighted Average Depreciation Reserve and Plant, Cost of Removal, Early Retirement and Vehicles.

CHAPTER 4 Special Requests

INTRODUCTION

3 This chapter presents analysis and recommendations regarding Cal Am's Special
4 Requests 2 and 9. With Special Request 2, Cal Am seeks authorization to normalize the
5 rate bases of the two acquired systems (Bass Lake and West San Martin) statewide. In
6 Special Request 9, Cal Am seeks authorization to change how accumulated deferred
7 income taxes (ADIT) are calculated for the attrition year.

II. SUMMARY OF RECOMMENDATIONS

- A. The Commission has previously granted requests similar to Cal Am's Special Request 2.
- B. The Commission has previously granted requests similar to Cal Am's Special Request 9.

III. ANALYSIS

A. Special Request 2

Cal Am seeks authorization to allocate a portion of two acquired systems' rate bases (Bass Lake and West San Martin) statewide. Cal Am has received authorization for similar requests in the past for prior acquisitions.²⁷

Cal Am proposes allocating \$1.48 million statewide for Bass Lake and \$1.09 million statewide for West San Martin.²⁸ This is done by including those

²⁷ Application of California-American Water Company (U210W) to Increase Revenues in Each of its Districts Statewide, Direct Testimony of Wes Owens at 57.

²⁸ Application of California-American Water Company (U210W) to Increase Revenues in Each of its Districts Statewide, Direct Testimony of Jonathan Morse at 25-29.

1 amounts as plant balances for acquired systems in the CAW Corporate district in
2 the RO Model, which is allocated statewide.²⁹

3 Cal Am has previously received authorization to normalize portions of rate
4 bases of acquired systems throughout the state. The amounts it seeks to normalize
5 are reflected properly in the RO Model.

6 **B. Special Request 9**

7 With Special Request 9, Cal Am seeks authorization to change the current
8 method of calculating ADIT for the attrition year. Currently, attrition year ADIT
9 is calculated the same as the rest of the rate base, by taking the difference between
10 the two rate base test years and adding it to the second rate base test year.³⁰ Cal
11 Am proposes to change this to calculating attrition year ADIT when rates are
12 determined through the advice letter escalation filing process.³¹ This is due to a
13 Private Letter Ruling (PLR) from the IRS, which states that the current method
14 violates normalization rules.³² When asked whether it planned to change its
15 method for calculating ADIT during the GRC process, Cal Am said it would not
16 change during the GRC process and would change during the escalation filing
17 process.³³ The Commission has authorized a similar request in a previous GRC
18 proceeding.³⁴

²⁹ Cal Am RO Model file “ALL_CHALL_MALL_WP_ACQ,” tab: “Plant Balance for ACQ.”

³⁰ Cal Am RO Model file “ALL_CH02_SE_RO.”

³¹ Direct Testimony of Linda Schlessman at 7.

³² Direct Testimony of Linda Schlessman, Attachment 1.

³³ Attachment 9: Cal Am’s Response to Public Advocates Office’s Data Request PAD-03, Question 2.

³⁴ Attachment 10: Excerpt from D.25-01-036, D.25-01-036 at 51-52.

1 **IV. CONCLUSION**

2 The Commission has authorized similar requests to Cal Am's Special Requests 2 & 9.

Attachment 1: Qualifications of Witness

QUALIFICATIONS AND PREPARED TESTIMONY
OF
Prashanta Adhikari

Q.1 Please state your name and address.

A.1 My name is Prashanta Adhikari, and my business address is 505 Van Ness Ave, San Francisco, CA 94102.

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

A.2 I am employed by the Public Advocates Office of the California Public Utilities Commission as a Public Utilities Regulatory Analyst.

Q.3 Please describe your educational and professional experience.

A.3 I graduated from University of California, Davis in June 2017 with a BA in Economics and have worked for the Public Advocates Office since October 2019.

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

A.4 My areas of responsibility are income taxes, taxes other than income, rate base, the results of operation model, and special requests 2 & 9.

Q.5 Does that complete your prepared testimony?

A.5 Yes

Attachment 2: Excerpt of D.17-06-008

recommended using the CCFT expense included within those rates as the TY 2017/2018 deduction.

For the Los Angeles Division, TY rates were most recently set in 2011. Thus, the CCFT amount adopted in 2011 is still the amount that is adopted in 2016 rates. ORA uses this amount for its 2017/18 TY recommendation. For the Fontana Division, ORA's recommends use of the CCFT amounts adopted in the Attrition Year 2014/2015 Advice Letter (AL) 440-C filing. As a result, ORA uses the prior year's (2016/2017) CCFT expense amount adopted in rates for this period, and recommends TY CCFT deduction amounts of \$1,067,700 for Fontana and \$1,090,900 for Los Angeles.

5.2. Discussion

We adopt the ORA position, affirming that for ratemaking purposes, the CCFT deduction used to calculate a TY FIT expense must be the prior year's CCFT expense amount adopted in rates. The CCFT deduction amounts used to calculate FIT expense for TY2017 will thus be the 2016 CCFT expense amounts adopted in the utility's most recent ratemaking filings, namely: \$1,067,700 for Fontana and \$1,090,900 for Los Angeles.

Consistent with D.89-11-058, a utility's adopted prior year CCFT should be used as the deduction amount from the TY. ORA's methodology complies with D.89-11-058 which requires "that test year and attrition year CCFT estimates adopted in rates be specifically defined and made available to the Commission staff responsible for putting together the FIT..."¹² Therefore, when calculating a utility's 2017 FIT, the 2016 CCFT adopted amount is used as the deduction.

¹² D.89-11-058 at 7.

Attachment 3: AL 87-S 2026 Step Rates – Wastewater, Workpaper 114

CALIFORNIA-AMERICAN WATER
 MONTEREY WASTEWATER
 CALCULATION OF 2026 STEP INCREASE
 DOLLARS IN THOUSANDS

1542

Wkpr.: 114

Line No.	2025 Authorized Per AL 83-S	Inflation Factor	2026 Attrition (if full step allowed)	2026 Attrition (per earnings test)
Operating Revenues				
1	Water Service	4,295.8	Workpaper 115, Ln 5 and Ln 7	4,498.2
Operating Expenses				
2	Labor	1,140.0	Labor	1,189.6
3	Purchased Water	0.0	Not escalated	0.0
4	Purchased Power	301.0	Not escalated	301.0
5	Chemicals	479.1	Composite Non-Labor 60%/Compensation 40%	500.9
6	Operation Expense	394.1	Composite Non-Labor 60%/Compensation 40%	412.0
7	Maintenance (excluding Amort Tank Paint)	237.2	Composite Non-Labor 60%/Compensation 40%	248.0
8	Amortization of Tank Painting	0.0	Composite Non-Labor 60%/Compensation 40%	0.0
9	Customer Accounting	28.3	Composite Non-Labor 60%/Compensation 40%	29.6
10	Uncollectible Expense	22.0	Adopted Uncollectible Percentage	23.3
11	Insurance	33.4	CPI-U (Previous 12 months)	34.8
12a	Pension and OPEB	1.6	Not escalated	1.6
12b	Group Insurance	149.1	CPI-U (Previous 12 months)	155.5
12c	Benefits other than Pension	74.1	CPI-U (Previous 12 months)	77.3
13	Regulatory Expenses	5.9	Composite Non-Labor 60%/Compensation 40%	6.1
14	Rents	7.2	CPI-U (Previous 12 months)	7.5
15	Other Administrative & General	230.1	Composite Non-Labor 60%/Compensation 40%	240.6
16	Service Company Costs	81.7	Composite Non-Labor 60%/Compensation 40%	85.4
17	Citizens Acquisition Premium	0.0	Adopted	0.0
18	General Office Return on Rate Base	42.7	Adopted	42.7
19	Earnings Test Adjustment	0.0	Calculated as applicable	0.0
20	Depreciation	364.3	Adopted	391.2
21	General Taxes	100.1	Composite Non-Labor 60%/Compensation 40%	100.1
22	State Income Taxes	43.2	Workpaper 116, Ln 14	46.6
23	Federal Income Taxes	81.4	Workpaper 116, Ln 19	89.9
24	Total Expenses	3,816.3	Sum (Ln 2 : Ln 23)	3,983.9
25	Net Operating Revenue	479.5	Ln 1 - Ln 24	514.3
26	Rate Base	6,243.5	Line 34	6,696.1
27	Rate of Return	7.68%	Ln 27 / Ln 28	7.68%
28	Revenue Requirement		Workpaper 115, Ln 4 and Ln 6	202.4
29	% Revenue Requirement		Workpaper 115, Ln 8	4.71%
30	Operating expenses less uncollectibles	3,669.8	Sum Ln 2:23 - Ln10	3,824.1
31	2025 Rate Base	6,243.5	Wkpr. 200-A, 200-B	
32	2024 Rate Base	5,790.9	Wkpr. 200-A, 200-B	
33	Difference	452.6	Ln 31 - Ln 32	
34	2026 Rate Base Authorized	6,696.1	Ln 31 + Ln 33	
35	2025 Depreciation	364.3	Wkpr. 200-A, 200-B	
36	2024 Depreciation	337.5	Wkpr. 200-A, 200-B	
37	Difference	26.8	Ln 35 - Ln 36	
38	2026 Depreciation Authorized	391.2	Ln 35 + Ln 37	
Inflation Factors				
39	Composite Escalation Factor	Workpaper 113		1.0320
40	Labor	Workpaper 113		1.0300
41	CPI-U	Workpaper 113		1.0300
42	Uncollectible Rate	Workpaper 113		0.5117%
43	Franchise Fee	Workpaper 113		-
44	Customer Growth Rate	Workpaper 113		1.3154%

**Attachment 4: AL 1493-A 2026 Step
Rates, Workpaper 1-136**

Workpaper 1-136

Wkpr.: 114

CALIFORNIA-AMERICAN WATER
 SOUTHERN DIVISION
 CALCULATION OF 2026 STEP INCREASE
 DOLLARS IN THOUSANDS

SOU

Line No.	2025 ACAM AL 1489-A	Inflation Factor	2025 Bass Lake Integration AL 1489-A	2026 Escalation (if full step allowed)	2026 Escalation (per earnings test)
Operating Revenues					
1 Water Service	144,210.0	Workpaper 115, Ln 5 and Ln 7		151,305.0	151,305.0
Operating Expenses					
2 Labor	10,345.3	Labor		10,867.0	10,867.0
3 Purchased Water	51,258.1	Not escalated		51,258.1	51,258.1
4 Purchased Power	3,619.0	Not escalated		3,619.0	3,619.0
5 Chemicals	243.8	Composite Non-Labor 60%/Compensation 40%		256.6	256.6
6 Operation Expense	734.1	Composite Non-Labor 60%/Compensation 40%		772.6	772.6
7 Maintenance (excluding Amort Tank Painti	1,631.9	Composite Non-Labor 60%/Compensation 40%		1,717.5	1,717.5
8 Amortization of Tank Painting	407.5	Composite Non-Labor 60%/Compensation 40%		428.8	428.8
9 Customer Accounting	823.4	Composite Non-Labor 60%/Compensation 40%		866.6	866.6
10 Uncollectible Expense	1,047.1	Adopted Uncollectible Percentage	0.3	1,085.7	1,085.7
11 Insurance	1,213.7	CPI-U (Previous 12 months)		1,258.9	1,258.9
12a Pension and OPEB	113.7	Not escalated		113.7	113.7
12b Group Insurance	1,551.3	CPI-U (Previous 12 months)		1,629.5	1,629.5
12c Benefits other than Pension	922.9	CPI-U (Previous 12 months)		969.5	969.5
13 Regulatory Expenses	423.4	Composite Non-Labor 60%/Compensation 40%		444.7	444.7
14 Rents	1,062.7	CPI-U (Previous 12 months)		1,118.5	1,118.5
15 Other Administrative & General	4,738.0	Composite Non-Labor 60%/Compensation 40%		4,986.6	4,986.6
16 Service Company Costs	5,863.5	Composite Non-Labor 60%/Compensation 40%		6,171.1	6,171.1
17 Citizens Acquisition Premium	1,680.6	Adopted		1,691.8	1,691.8
18 General Office Return on Rate Base	3,038.9	Adopted	58.8	3,066.2	3,066.2
19 Earnings Test Adjustment	0.0	Calculated		0.0	0.0
20 Depreciation	16,206.0	Adopted		17,554.0	17,554.0
21 General Taxes	5,558.5	Adopted		6,007.6	6,007.6
22 State Income Taxes	2,277.2	Workpaper 116, Ln 14		2,543.2	2,543.2
23 Federal Income Taxes	4,685.8	Workpaper 116, Ln 19		5,289.2	5,289.2
24 Total Expenses	119,446.2	Sum (Ln 2 : Ln 23)		123,716.6	123,716.6
25 Net Operating Revenue	24,763.7	Ln 1 - Ln 24		27,588.3	27,588.33
26 Rate Base	322,453.6	Line 34		359,246.4	359,246.4
27 Rate of Return	7.68%	Ln 25 / Ln 26		7.68%	7.68%
28 Revenue Requirement		Workpaper 115, Ln 4 and Ln 6		7,095.0	7,095.0
% Revenue Requirement		Workpaper 115, Ln 8		4.92%	4.92%
30 Operating expenses less uncollectibles	111,436.2	Sum Ln 2:21 - Ln 10		114,798.5	114,798.5
31 2025 Rate Base	322,453.6	Wkpr. 200-A, 200-B			
32 2024 Rate Base Authorized	285,660.8	Wkpr. 200-A, 200-B			
33 Difference	36,792.8	Ln 31 - Ln 32			
34 2026 Rate Base Authorized	359,246.4	Ln 31 + Ln 33			
35 2025 Depreciation	16,197.6	Wkpr. 200-A, 200-B			
36 2024 Depreciation Authorized	14,849.6	Wkpr. 200-A, 200-B			
37 Difference	1,348.0	Ln 35 - Ln 36			
38 2026 Depreciation Authorized	17,545.6	Ln 35 + Ln 37			
Inflation Factors					
39 Composite Escalation Factor	Workpaper 113	1.0320			
40 Labor	Workpaper 113	1.0300			
41 CPI-U	Workpaper 113	1.0300			
42 Uncollectible Rate	Workpaper 113	0.5117%			
43 Franchise Fee	Workpaper 113	-			
44 Customer Growth Factor	Workpaper 113	1.98%			
45 Leak Adjustments	Workpaper 207	270.5			

**Attachment 5: AL 1493-A 2026 Step Rates,
Workpaper 1-19**

CALIFORNIA-AMERICAN WATER
 NORTHERN DIVISION
 CALCULATION OF 2026 STEP INCREASE
 DOLLARS IN THOUSANDS

Line No.	2025 Bass Lake Integration AL 1489-A	Inflation Factor	2025 Bass Lake Integration AL 1489-A	2026 Attrition (if full step allowed)	2026 Attrition (per earnings test)
Operating Revenues					
1 Water Service	102,027.6	Workpaper 115, Ln 5 and Ln 7		110,012.6	110,012.6
Operating Expenses					
2 Labor	9,879.7	Labor		10,475.3	10,475.3
3 Purchased Water	4,632.2	Not escalated		4,632.2	4,632.2
4 Purchased Power	3,434.0	Not escalated		3,434.0	3,434.0
5 Chemicals	592.5	Composite Non-Labor 60%/Compensation 40%		629.4	629.4
6 Operation Expense	2,278.9	Composite Non-Labor 60%/Compensation 40%		2,421.0	2,421.0
7 Maintenance (excluding Amort Tank Painti	1,566.9	Composite Non-Labor 60%/Compensation 40%		1,664.5	1,664.5
8 Amortization of Tank Painting	607.5	Composite Non-Labor 60%/Compensation 40%		645.4	645.4
9 Customer Accounting	1,123.2	Composite Non-Labor 60%/Compensation 40%		1,193.2	1,193.2
10 Uncollectible Expense	744.1	Adopted Uncollectible Percentage	7.2	800.0	800.0
11 Insurance	1,258.8	Composite Non-Labor 60%/Compensation 40%		1,337.3	1,337.3
12a Pension and OPEB	155.9	Not escalated		155.9	155.9
12b Group Insurance	1,313.3	Composite Non-Labor 60%/Compensation 40%		1,395.1	1,395.1
12c Benefits other than Pension	843.7	Composite Non-Labor 60%/Compensation 40%		896.3	896.3
13 Regulatory Expenses	405.2	Composite Non-Labor 60%/Compensation 40%		429.6	429.6
14 Rents	540.4	CPI-U (Previous 12 months)		574.1	574.1
15 Other Administrative & General	5,542.1	Composite Non-Labor 60%/Compensation 40%		5,887.6	5,887.6
16 Service Company Costs	5,610.9	Composite Non-Labor 60%/Compensation 40%		5,960.7	5,960.7
17 Citizens Acquisition Premium	1,781.9	Adopted		1,793.8	1,793.8
18 General Office Return on Rate Base	3,096.9	Adopted	56.3	3,118.7	3,118.7
19 Earnings Test Adjustment	0.0	Calculated		0.0	0.0
20 Depreciation	18,972.8	Adopted	72.1	21,014.5	21,014.5
21 General Taxes	4,343.3	Adopted	48.2	4,847.5	4,847.5
22 State Income Taxes	2,391.4	Workpaper 116. Ln 14		2,636.7	2,636.7
23 Federal Income Taxes	4,923.4	Workpaper 116. Ln 19		5,483.4	5,483.4
24 Total Expenses	76,039.0	Sum (Ln 2 : Ln 23)		81,426.1	81,426.1
25 Net Operating Revenue	25,988.6	Ln 1 - Ln 24		28,566.5	28,566.47
26 Rate Base	338,372.5	Line 34	4,383.1	372,205.8	372,205.8
27 Rate of Return	7.68%	Ln 25 / Ln 26		7.68%	7.68%
28 Revenue Requirement		Workpaper 115, Ln 4 and Ln 6		7,985.0	7,985.0
29 % Revenue Requirement		Workpaper 115, Ln 8		7.83%	7.83%
30 Operating expenses less uncollectibles	67,980.0	Sum Ln 2:21 - Ln 10		72,506.1	72,506.1
31 Authorized 2025 Rate Base	333,989.4	Wkpr. 200-A, 200-B			
32 2024 Rate Base Authorized	300,156.1	Wkpr. 200-A, 200-B			
33 Difference	33,833.3	Ln 31 - Ln 32			
34 2026 Rate Base Authorized	367,822.7	Ln 31 + Ln 33			
35 Authorized 2025 Depreciation	18,900.8	Wkpr. 200-A, 200-B			
36 2024 Depreciation Authorized	16,859.1	Wkpr. 200-A, 200-B			
37 Difference	2,041.6	Ln 35 - Ln 36			
38 2026 Depreciation Authorized	20,942.4	Ln 35 + Ln 27			
Inflation Factors					
39 Composite Escalation Factor	Workpaper 113		1.0320		
40 Labor	Workpaper 113		1.0300		
41 CPI-U	Workpaper 113		1.0300		
42 Uncollectible Rate	Workpaper 113		0.5117%		
43 Franchise Fee	Workpaper 113		-		
44 Customer Growth Rate	Workpaper 113		2.94%		
45 Leak Adjustments	Wkpr. 200-A, 200-B		194.7		

**Attachment 6: AL 1493-A 2026 Step Rates,
Workpaper 1-67**

Workpaper 1-67

Wkpr.: 114

CALIFORNIA-AMERICAN WATER
CENTRAL DIVISION
CALCULATION OF 2026 STEP INCREASE
DOLLARS IN THOUSANDS

CEN

Line No.	2025	2025	2025	2026			
				Bass Lake Integration AL 1489-A	Monterey Pipeline & Pump Station Overhead AL 1490	Attrition (if full step allowed)	Attrition (per earnings test)
Operating Revenues							
1 Water Service	102,814.2	Workpaper 115, Ln 5 and Ln 7	38.5			106,909.2	106,309.2
Operating Expenses							
2 Labor	9,233.2	Labor				9,515.4	9,515.4
3 Purchased Water	15,045.9	Not escalated				15,045.9	15,045.9
4 Purchased Power	3,085.2	Not escalated				3,085.2	3,085.2
5 Chemicals	669.5	Composite Non-Labor 60%/Compensation 40%				669.8	669.8
6 Operation Expense	1,761.6	Composite Non-Labor 60%/Compensation 40%				1,819.0	1,819.0
7 Maintenance (excluding Amort Tank Paint)	2,713.8	Composite Non-Labor 60%/Compensation 40%				2,802.2	2,802.2
8 Amortization of Tank Painting	1,011.3	Composite Non-Labor 60%/Compensation 40%				1,044.3	1,044.3
9 Customer Accounting	375.5	Composite Non-Labor 60%/Compensation 40%				387.8	387.8
10 Uncollectible Expense	2,957.1	Adopted Uncollectible Percentage	0.2			2,982.1	2,978.9
11 Insurance	679.0	CPI-U (Previous 12 months)				699.7	699.7
12a Pension and OPEB	85.6	Not escalated				85.6	85.6
12b Group Insurance	1,289.8	CPI-U (Previous 12 months)				1,329.2	1,329.2
12c Benefits other than Pension	718.9	CPI-U (Previous 12 months)				740.9	740.9
13 Regulatory Expenses	215.6	Composite Non-Labor 60%/Compensation 40%				222.6	222.6
14 Rents	796.6	CPI-U (Previous 12 months)				820.9	820.9
15 Other Administrative & General	4,198.4	Composite Non-Labor 60%/Compensation 40%				4,335.2	4,335.2
16 Service Company Costs	2,996.9	Composite Non-Labor 60%/Compensation 40%				3,094.5	3,094.5
17 Citizens Acquisition Premium	883.5	Adopted				889.4	889.4
18 General Office Return on Rate Base	1,597.6	Adopted	30.9			1,581.0	1,581.0
19 Earnings Test Adjustment	-648.6	Calculated				0.0	(595.0)
20 San Clemente Dam	6,332.4	Adopted				6,332.4	6,332.4
21 Depreciation	12,964.1	Adopted	4.4	(90.0)		13,869.3	13,869.3
22 General Taxes	4,318.5	Adopted	3.0	(39.4)		4,528.5	4,528.5
23 State Income Taxes	2,118.1	Workpaper 116, Ln 14				2,226.8	2,226.7
24 Federal Income Taxes	4,313.8	Workpaper 116, Ln 19				4,578.9	4,578.5
25 Total Expenses	79,713.1	Sum (Ln 2 : Ln 24)				82,886.7	82,088.0
26 Net Operating Revenue	23,101.1	Ln 1 - Ln 25				24,222.6	24,221.28
27 Rate Base	301,147.1	Line 35			(4,041.7)	315,389.8	315,389.8
28 Rate of Return	7.67%	Ln 26 / Ln 27				7.68%	7.68%
29 Revenue Requirement		Workpaper 115, Ln 4 and Ln 6				4,095.0	3,495.0
30 % Revenue Requirement		Workpaper 115, Ln 8				3.98%	3.40%
31 Operating expenses less uncollectibles	70,324.1	Sum Ln 2.22 - Ln 10				72,898.8	72,303.9
32 2025 Rate Base Authorized	305,188.8	Wkpr. 200-A, 200-B					
33 2024 Rate Base Authorized	290,946.2	Wkpr. 200-A, 200-B					
34 Difference	14,242.6	Ln 32 - Ln 33					
35 2026 Rate Base Authorized	319,431.4	Ln 32 + Ln 34					
36 2025 Depreciation Authorized	13,049.7	Wkpr. 200-A, 200-B					
37 2024 Depreciation Authorized	12,144.5	Wkpr. 200-A, 200-B					
38 Difference	905.2	Ln 36 - Ln 37					
39 2026 Depreciation Authorized	13,954.9	Ln 36 + Ln 38					
Inflation Factors							
40 Composite Escalation Factor	Workpaper 113		1.0320				
41 Labor	Workpaper 113		1.0300				
42 CPI-U	Workpaper 113		1.0300				
43 Uncollectible Rate	Workpaper 113		0.5117%				
44 Franchise Fee			-				
45 Customer Growth Factor	Workpaper 113		0.0006				
46 Leak Adjustments	Wkpr. 200-A, 200-B		2,417.0				

**Attachment 7: Excerpt from Cal Am Advice
Letter 1486 Franchise Fee Update 2025**



520 Capitol Mall, Suite 630

Sacramento, CA 95814

P (916) 568-4279

www.amwater.com

August 7, 2025

ADVICE LETTER NO. 1486

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

California-American Water Company ("California American Water") (U210W) hereby submits for review this advice letter, including the following tariff sheets, attached hereto, which are applicable to its Northern, Central, and Southern Divisions.

Purpose and Background:

This advice letter is being filed to update franchise fees statewide.

Sacramento Franchise Fee Update

California American Water filed Advice Letter 1456 on December 6, 2024 to inform the Commission of its recent determination that a surcharge of 2% on all Sacramento County customer bills was incorrect and more than the amount California American Water was/is required to remit to the County of Sacramento. California American Water subsequently filed Advice Letter 1463 on February 4, 2025, and extended applicable customer credits in the Sacramento service area. Advice Letter 1463 also stated that California American Water is in the process of negotiating a new franchise agreement with the County of Sacramento and suspended collecting the Sacramento County franchise fees through the filing. California American Water anticipates this new agreement will be adopted and in effect on or around November 1, 2025. Through this filing California American Water requests to update its tariffs to collect an interim franchise fee in Sacramento County under the current franchise agreement and until the new franchise agreement is finalized.

Other Statewide Franchise Fee Update

Additionally, California American Water performed an analysis of other franchise agreements and rates across the state and determined that some franchise fee rates and labels should be updated. Through this filing California American Water requests updating the applicable rates on its tariffs in its Northern, Central, and Southern Divisions with interim franchise fee rates for the remainder of 2025. As was the case in Sacramento in certain service areas, customers will receive franchise fee customer credits. In instances where customers underpaid the franchise fee, customers will not be billed the undercollected amounts. California American Water is in the process of calculating customer credits and will issue billing adjustments to impacted customers.

Anticipated Future Filings

California American Water will file a new advice letter to update the Sacramento County franchise fee under the new franchise agreement, anticipated on or around November 1, 2025.

California American Water will also file a subsequent advice letter at the end of 2025 adjusting franchise fees statewide for the 2026 calendar year.

Attachment 8: Excerpt from CAW Response

Cal Adv PAD-02 Q002 Attachment 1

Invoice

Invoice Number	3064787	Supplier	California American Water Company
Invoice Date	Jun 22, 2023	208 Mason St	1 Water St
Currency	USD (US Dollar)	Ukiah, CA 95482-4407	Camden, NJ 08102-1658
Payment Terms	45 days net	US (United States)	US (United States)
AW Contact	JULIE.CERDA@AMWATER.COM	925-828-6226	8667778426
		925-828-6309	8565199733

Ship To

Alpha Analytical Laboratories Inc
208 Mason Street
Ukiah, CA 95482
US (United States)

#	Description	Unit	Qty	Unit Price	Line Total
1	Water Sample Testing	Ea (Each)	1	\$1,191.50	\$1,191.50
					Subtotal \$1,191.50
					Total Tax Amount \$0.00
					Invoice Amount \$1,191.50

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INVOICE

Certified Small Business #0001025

Alpha Analytical Laboratories, Inc. email: clientservices@alpha-labs.com
Corporate: 208 Mason Street | Ukiah, CA 95482 | T: 707-468-0401 | F: 707-468-5267 | ELAP# 1551

Bill To: California American Water
4701 Beloit Drive
Sacramento, CA 95838

Attn: Julie Cerdá

Invoice #: 3064787-RP2.0_AMERICANH2O
Date: 06/22/23
Project ID: Larkfield OTHER
Project No: Waste Characterization
PO/Reference:

Order #
23F1585

Receipt Date
06/09/23

Terms
NET 30

Quantity	Analysis/Description	Matrix	Unit Cost	Extended Cost
Alpha Analytical Laboratories, Inc.				
1	Handling & Disposal [9 day]	Other (W)	\$5.00	\$5.00
1	NB CAM 17 STLC Metals by EPA 6010/7470A [9 day]	Other (W)	\$315.00	\$315.00
1	NB CAM 17 TCLP Metals [9 day]	Other (W)	\$315.00	\$315.00
1	NB CAM 17 Total Metals [9 day]	Other (W)	\$315.00	\$315.00
1	NB STLC Extraction [9 day]	Other (W)	\$105.00	\$105.00
1	NB TCLP Extraction [9 day]	Other (W)	\$136.50	\$136.50

Invoice Total: **\$1,191.50**

**Attachment 9: Excerpt from CAW Response
Cal Adv PAD-03 Q002**

California-American Water Company

APPLICATION NO. A.25-07-003
DATA REQUEST RESPONSE

Response Provided By: Linda Schlessman
Title: Director, Tax
Address: American Water
1 Water Street
Camden, New Jersey
Cal Adv Request: A2507003 Public Advocates DR PAD-03
Company Number: Cal Adv PAD-03 Q002
Date Received: August 4, 2025
Date Response Provided: August 18, 2025
Subject Area: Deferred Taxes

DATA REQUEST:

2. Please refer to page 7 of the Direct Testimony of Linda Schlessman that was provided with Cal Am's July 1, 2025 General Rate Case (GRC) application . In regards to Special Request #9, the testimony says "California American Water recommends that the Commission, in order to ensure compliance with PLR 202417002, grant California American Water permission to deviate from the revenue model for calculating the ADIT for the attrition year. California American Water proposes to include an adjustment to ADIT, to be calculated at the time that attrition year rates are determined through the attrition year advice letter process, which will align ADIT with rate base in conformity with the normalization requirements."

- a. Is Cal Am proposing to include a calculation of attrition year ADIT with its attrition year escalation filings? (Yes/No)
- b. Until the escalation filing, is Cal Am proposing to continue calculating attrition year ADIT along with the rest of 2029 rate base, by adding the difference between TY 2027 and 2028 rate base to 2028 rate base? (Yes/No).
- c. Provide additional explanation if the response to 2.a and 2.b is no.

CAL-AM'S RESPONSE

- a. Yes. California American Water is proposing to include an adjustment to ADIT to be calculated at the time that the attrition year rates are determined.
- b. Yes. California American Water is proposing only to include an adjustment to ADIT to be calculated at the time that the attribution year rates are determined.
- c. Please see Part a. and b. responses which are yes.

Attachment 10: Excerpt from D.25-01-036

3.7. Impact on Environmental and Social Justice (ESJ)Action Plan

This item corresponds to Issue 4 of the Scoping Ruling. The Settling Parties agree that GSW's proposals in this proceeding and the provisions of the Settlement Agreement meet the Commission's ESJ Action Plan (Plan) objectives. The Settling Parties make reference to the Public Participation Hearings, focus on mitigating rate increases in ESJ disadvantaged areas, the inclusion of CAP assistance, provision of multilingual notices and forms, capital improvement planning in traditionally disadvantaged communities, and increased customer outreach and protections as some examples of how GSW and the Settlement Agreement meet the Commission's Plan objectives.⁷⁰

3.8. Reasonableness of Deviation from Rate Case Plan for Specified Estimates

This item corresponds to Issue 5 of the Scoping Ruling.

In A.20-07-012, GSW requested a deviation from D.04-06-018 (interim order adopting rate case plan (RCP)) for setting the third year (Year-3) rates to the extent necessary to ensure consistency of the components used to compute Year-3 rate base and Year-3 cost-of-service. The Internal Revenue Code requires consistency in order to satisfy tax normalization requirements. Per D.23-06-024, GSW requested a Private Letter Ruling (PLR) from the Internal Revenue Service to determine if implementing Year-3 rates under the RCP Method is permissible or would violate the normalization consistency requirement. For the purpose of

⁷⁰ See Settlement Agreement at 8-11.

determining Year-3 rates in this proceeding, Year-3 rate base was initially computed in the filing using the RCP Method.

The Public Advocates Office maintains its previously established position that GSW should only deviate from the RCP if directed to do so in the PLR.

GSW received a PLR after the filing of its Application in this proceeding confirming GSW's concern that implementation of rates under the RCP Method would result in a normalization violation, the Year-3 (*i.e.* 2027) depreciation-reserve and deferred-income-tax components of rate base should be calculated to make an appropriate adjustment necessary to achieve consistency with the Year-3 (*i.e.* 2027) cost-of-service depreciation and income-tax expenses.⁷¹

3.9. Reasonableness of Golden State Water's Overhead Rate and Methodology for Allocating Overhead (3.1)

This item corresponds to Issue 6 of the Scoping Ruling. GSW requested a capital overhead rate of 12.20% in 2024, 2025 and 2026 for Regions 1, 2 and 3 and the GO with the exception of the GO Corporate Support and Utility Support segments. For the GO Corporate Support and Utility Support segments, GSW requested a capital overhead rate of 2.52% in 2024, 2025 and 2026. The overhead rates were calculated based on (1) the estimated charges to be booked to GSW's overhead pool; and (2) GSW's requested Capital Budgets. GSW included the overhead rates as a fixed input in its Application workpapers.

The Public Advocates Office did not contest GSW's methodology in calculating the capital overhead rate, but did recommend using a lower inflation

⁷¹ See Section 18.2 of the Settlement Agreement.