PRELIMINARY STATEMENT Sheet 1
(Continued)

**BO. 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 drinking water fees charged by the State Water Resources Control Board (State Water Board) and the drinking water fees authorized in rates.

2. **APPLICABILITY**:

   All areas serviced by California American Water.

3. **ACCOUNTING PROCEDURE**:

   The following entries shall be recorded to the balancing account:

   a. The DWFBA will track the difference between the annual drinking water fees charged by the State Water Board and the drinking water fees authorized in rates.
   b. 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 Release, to the average of the beginning-of-month and the end-of-month balances.

5. **EFFECTIVE DATE**:

   The DWFBA shall go into effect on the effective date of Advice Letter 1428, which is December 15, 2021.

6. **RATEMAKING PROCEDURE:**

   The balancing account currently has no rate component.

7. **DISPOSITION:**

   California American Water shall report on the status of their balancing accounts in their general rate cases and shall propose adjustments to their rates in that context to amortize under- or over-collections in those accounts subject to reasonableness review. California American Water also may propose such rate adjustments by advice letter at any time that the under- or over-collection in any such account exceeds two percent (2%) of annual revenues for the utility or a ratemaking district of the utility.

(N)

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