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A. Territory Served by the Utility

The area in which service is or will be furnished by this utility under its main extension rule is described below and is delineated on the service area map(s) shown on or attached to the tariff sheet(s) following:

In and in the vicinity of the Town of Apple Valley, San Bernardino County; all or portions of the following township, range and sections, SBB&M, in San Bernardino County:

Township 6 North, Range 3 West, Sections 21, 22, 27, 28, 31, 33, and 34
Township 6 North, Range 4 West, Sections 24, 25, 34 and 36
Township 5 North, Range 3 West, Sections 1 through 36
Township 5 North, Range 4 West, Sections 1, 2, 3, 10, 11, 12, 13,14, 24, and 25
Township 4 North, Range 3 West, Sections 3, 4, 5 and 9

In and near the vicinity of Yermo, San Bernardino County: (N)
Tract Nos. 6593 and 6598;
Tract Nos. 2459 and 2195 (N)

B. Types and Classes of Service

The types and classes of service furnished are set forth in each rate schedule under the designation "Applicability."

C. Description of Service

The characteristics of the service furnished are indicated in Rule No. 2, Description of Service.

D. Procedure to Obtain Service

Service as described herein will be furnished to any person or corporation whose premises are within the utility's service area, provided application is made in accordance with Rule No. 3, Application for Service; credit is established as required in Rule No. 6, Establishment and Re-establishment of Credit; customer's piping and valves are installed as required in Rule No. 16, Service Connections, Meters, and Customer's Facilities, under "Customer's Responsibility;" and a contract is signed in those certain circumstances specified in Rule No. 4, Contracts.

Where an extension of the utility's mains is necessary, Rule No. 15, Main Extensions, applies and if the project is of a temporary or speculative nature, Rule No. 13, Temporary Service, is applicable.

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

(Continued)

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E. Symbols

Whenever tariff sheets are refilled, changes will be identified by the following symbols:

(C) To signify changed listing, rule of condition which may effect rates or charges.

(D) To signify discontinued materials, including listing, rate, rule or condition.

(I) To signify increase.

(L) To signify material relocated from or to other part of tariff schedules with no change in text, rate, or condition.

(N) To signify new materials 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.

F. Customer Assistance Program (CAP) Revenue Reallocation Balancing Account (T)

1. Purpose: The purpose of the CAP Revenue Reallocation Balancing Account is to track the recorded discounts provided through Schedule No. CAP and the recorded surcharge collected through Schedule No. CAP-SC. The authority to establish this account was granted in CPUC Decision 05-12-020 dated December 15, 2005 and in Public Utilities Code Section 739.8. This account will be in existence until sufficient experience with the CAP is attained such that estimates of participation levels can be reliably forecast in a general rate case proceeding. This account will terminate when so ordered in a CPUC general rate case decision, at which time any remaining debit (under collection) or credit (over collection) balance will be amortized through a rate surcharge or surcredit. (T) (T) (T)

2. Accounting Procedure: The following entries will be made monthly to the CAP Revenue Reallocation Balancing Account: (T)

   a. The recorded reduction in billed Service Charge revenues for service provided under schedule No. CAP (debit). (T)
   b. The recorded surcharge revenues for service provided under Schedule No. 1 authorized to fund the CAP program (credit). (T)
   c. Monthly interest expense calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release, H.15 (http://www/federalreserve.gov/releases/H15/data/m/cp3m.text), or its successor publication (debit or credit).

(Continued)

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H. Military Family Relief Program (MFRP) Memorandum Account **(D)**

AVR shall maintain a Military Family Relief Program Memorandum Account to provide for review and potential recovery of reduced revenues resulting from implementation of the MFRP as described in Rule No. 21.

1. Purpose: The purpose of the MFRP Memorandum Account is to record uncollectibles and program related expenses for the implementation and administration of the MFRP. The MFRP Memorandum Account shall include MFRP uncollectibles and administrative costs such as printing, publishing and mailing related notices. Disposition of amounts recorded in the MFRP Memorandum Account shall be determined in a regulatory proceeding authorized by the Commission.

2. Accounting Procedure: The following entries will be made monthly to the MFRP Memorandum Account:

   a. The recorded incremental costs associated with the implementing and opening the MFRP program (debit).

   .

   b. Monthly interest expenses calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release, 15, (http://www.federalreserve.gov/release/H15/data/m/cp/3m/txt), or its successor publication (debit or credit). **(D)**

I. WATER REVENUE ADJUSTMENT MECHANISM/MODIFIED COST BALANCING ACCOUNT (WRAM/MCBA) (N)

1. Purpose

The purpose of the WRAM and the MCBA is to track water revenues and water production related costs for future disposition. The Commission has determined that these accounting mechanisms are appropriate in coordination with a program of increasing block rate structures and increased conservation activities. The program will be reviewed in AVR's general rate case proceedings.

2. Applicability

The WRAM Balancing Account and the MCBA apply to all areas served.

3. Definitions

A. Non-WRAM revenue is all revenue excluded from the WRAM account, including metered service charges, gravity irrigation quantity charges, public and private fire protection service, and unmetered and other miscellaneous revenue. In addition, surcharges and surcredits, unless specifically included in adopted revenue requirement, are excluded from WRAM accounting.

B. WRAM-eligible revenue is all revenue not excluded in 3.A above. Generally, WRAM eligible revenue results from potable quantity charges to permanent residential, business, industrial and public authority customers.

C. Recorded WRAM-eligible revenue is the amount of WRAM-eligible revenue billed to customers in a particular period.

D. Adopted WRAM-eligible revenue is the amount of metered usage-related revenue necessary in conjunction with adopted non-WRAM revenue to generate the adopted revenue requirement.

4. Accounting Procedure

A. The following entries will be made monthly to the WRAM:
   1. Recorded WRAM-eligible revenue
   2. Adopted WRAM-eligible revenue (See Paragraph 7)
   3. Total net WRAM balance = (1) minus (2)

B. The following entries will be made monthly to the MCBA:
   1. Recorded purchased power cost
   2. Adopted purchased power cost (See Paragraph 7)
   3. Difference between (1) and (2)
   4. Recorded replenishment – administrative & biological assessment
   5. Adopted replenishment – administrative & biological assessment (See Paragraph 7)
   6. Difference between (4) and (5)
   7. Recorded replenishment – make-up assessment
   8. Adopted replenishment – make-up assessment (See Paragraph 7)
   9. Difference between (7) and (8) (N)

PRELIMINARY STATEMENT

10. Recorded leased water rights
11. Adopted leased water rights (See Paragraph 7)
12. Difference between (10) and (11)
13. Recorded cost of chemicals (N)
14. Adopted cost of chemicals (See Paragraph 7)
15. Difference between (13) and (14)
16. Total net MCBA balance = (3) + (6) + (9) + (12) + (15) (N)

5. AVR will record the accumulated WRAM Balance monthly, by adding its entry in section A.3 to the prior accumulated monthly balance. AVR will record the accumulated MCBA Balance, by adding its entry in Section B.13 to the prior month's accumulated balance. AVR shall apply interest to the average net balance in the WRAM and MCBA accounts at a rate calculated at 1/12 of the most recent month's interest rate on commercial paper (prime, 3-month), published in the Federal Reserve Statistical Release, H.15, (http://www.federalreserve.gov/Releases//H15>NFCP>M3.txt), or its successor (debit or credit). Accumulated interest will be included in the amount on which interest is charged, but will be identified as a separate component of the WRAM and MCBA accounts.

6. Disposition

A. By March 31st of each year, AVR will provide the Division of Water and Audit a written report on the status of the WRAM and MCBA (with a copy to DRA). The written report will include a section on the WRAM showing the net accumulated balance as of December 31st of the preceding calendar year. The written report will include a section on the MCBA showing the net accumulated balance as of December 31st of the preceding calendar year. If this report shows that the combined net accumulated balance for the WRAM and the MCBA exceeds 2.0% of the total recorded revenue requirement for the prior calendar year, AVR will file an advice letter within 30 days that amortizes the balance in both of the accounts.

B. In each general rate case filing, AVR will address and request amortization of any remaining amounts in the WRAM and MCBA.

C. Recovery of under-collections and refunds of over-collections will be passed on to ratepayers through volumetric surcharges and surcredits.

D. Due to timing issues, estimated balances will be used for some components of the WRAM an the MCBA. Amortization requests (6.A and 6.B) shall include a true-up of all estimated balances as actual data becomes available.

7. WRAM/MCBA Adopted Quantities (N)

In order to properly record and report on the WRAM/MCBA balances, AVR proposes this preliminary statement as a central location to memorialize the adopted quantities by month for paragraph 4.A.2 (WRAM adopted revenue), 4.B.2 (MCBA adopted purchased power cost), 4.B.5 (MCBA adopted replenishment – administrative & biological assessment), 4.B.8 (MCBA adopted replenishment – make-up assessment), 4.B.11 (MCBA adopted leased water rights) and 4.B.14 (MCBA adopted chemicals). Any time AVR files a rate change or other advice letter affecting these components, it will file to amend the appropriate section of the preliminary statement. (N)

(Continued)

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PRELIMINARY STATEMENT
2021-2022 WRAM & MCBA

WATER REVENUE ADJUSTMENT MECHANISM/MODIFIED COST BALANCING ACCOUNT
(WRAM/MCBA)

Monthly Detail (In Thousands of Dollars)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Year_Month	Service Charge and other Non-WRAM Revenue	Quantity Charge Revenue for WRAM	Total Revenue	Purchased Power	Replenishment Adm & Bio	Replenishment Make-Up	Leased Water Rights	Chemicals	Total Production Cost	
	7,873.2	17,341.2								(I)
2021_07	838.2	1,846.1	2,684.3	102.0	4.6	1.8	0.0	4.1	112.5	
2021_08	902.1	1,987.0	2,889.1	109.8	4.9	1.9	0.0	4.5	121.1	
2021_09	953.3	2,099.8	3,053.1	116.0	5.2	2.0	0.0	4.7	127.9	
2021_10	821.0	1,808.3	2,629.3	99.9	4.5	1.7	0.0	4.1	110.2	
2021_11	726.7	1,600.6	2,327.2	88.4	4.0	1.5	0.0	3.6	97.5	
2021_12	576.8	1,270.3	1,847.1	70.2	3.2	1.2	0.0	2.9	77.4	
2022_01	468.1	1,031.0	1,499.1	57.0	2.6	1.0	0.0	2.3	62.8	
2022_02	439.4	967.8	1,407.3	53.5	2.4	0.9	0.0	2.2	59.0	
2022_03	390.0	859.1	1,249.1	47.5	2.1	0.8	0.0	1.9	52.3	
2022_04	482.0	1,061.6	1,543.5	58.7	2.6	1.0	0.0	2.4	64.7	
2022_05	575.4	1,267.3	1,842.6	70.0	3.1	1.2	0.0	2.8	77.2	
2022_06	700.3	1,542.3	2,242.6	85.2	3.8	1.5	0.0	3.5	94.0	
12 Month Total	7,873.2	17,341.2	25,214.3	958.1	43.0	16.5	0.0	38.9	1,056.6	(I)

2021-2022 Adopted Quantities (EY)

Total Operating Revenue:	$25,214.3
Total Purchased Power	$958.1
Total Replenishment-Adm & Bio	$43.0
Total Replenishment-Make-Up	$16.5
Total Leased Water Rights	$0.0
Total Chemicals	$38.9
Total Production Costs	$1,056.6

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J. Incremental Cost Balancing Accounts (ICBAs)

1. Purpose: The purpose of the ICBA is to track the water production related costs for the gravity irrigation system. These costs shall include purchased power, purchased water, and pump tax. The tracking and recovery procedures were established in Decision 03-06-072, dated June 19, 2003 and Decision 06-04-037, dated April 13, 2006.

2. Applicability: The ICBA is applied to all areas served by the gravity irrigation system.

3. Accounting Procedure:
   A. The following entries will be made monthly to the ICBA:
      1. Recorded purchased power cost per KWH
      2. Adopted purchased power cost per KWH
      3. Difference between (1) and (2)
      4. Multiply (3) by recorded KWH's
      5. Recorded biological resource assessment cost per A.F.
      6. Adopted biological resource assessment cost per A.F.
      7. Difference between (5) and (6)
      8. Multiply (7) by recorded total production (A.F.)
      9. Recorded replenishment-make-up assessment cost per A.F.
      10. Adopted replenishment-make-up assessment cost per A.F.
      11. Difference between (9) and (10)
      12. Multiply (11) by recorded make-up assessment (A.F.)
      13. Total net ICBA balance = (4) + (8) + (12)

4. AVR will record the accumulated ICBA balance monthly (with interest), by adding its entry in Section A.13 to the prior accumulated monthly balance. The interest rate shall be calculated at 1/12 of the most recent month's interest rate on Commercial Paper (Prime, 3-month), published in the Federal Reserve Statistical Release H.15, (http://www.federalreserve.gov/Releases//H15>NFCP>M3.txt), or its successor publication (debit or credit).

K. (D)

(D)

(Continued)

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N. Conservation Proceeding Memorandum Account **(D)**

1. Purpose

   The purpose of the Conservation Proceeding Memorandum Account is to track the legal and regulatory expenses associated with participation in I.07-01-022 from the date of issuance of the proceeding.

   After the Conservation Proceeding Memorandum Account is terminated and a final balance has been calculated, Apple Valley will seek recovery of that balance in its next general rate case or by filing a Tier 3 advice letter. The authority to establish this account was granted in Decision 10-04-001, dated April 8, 2010.

2. Accounting Procedure: The following entries will be made monthly to the Conservation Implementation Costs Memorandum Account:

   a. The recorded legal and regulatory costs associated with participation in Investigation 07-01-022 (debit).

   b. Monthly interest expense calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release H.15, (http://www.federalreserve.gov/Releases//H15>NFCP>M3.txt), or its successor publication (debit or credit).

O. Low-Income Customer Data Sharing Cost Memorandum Account

1. Purpose:

   The purpose of the Low-Income Customer Data Sharing Cost Memorandum Account is to track the one-time and ongoing data sharing costs which have not been reflected in authorized rates (debit). The authority to establish this account was granted in CPUC Decision 11-05-020 dated May 10, 2011. This account will be reviewed for recovery in AVR's next general rate case application or AVR will file a Tier 3 advice letter to request recovery of the balance and ongoing data sharing costs.
2. Accounting Procedure: The following entries will be made monthly to the Low-Income Customer Data Sharing Cost Memorandum Account:
   a. The recorded incremental costs associated with implementing and ongoing data sharing program costs (debit). **(D)**

(Continued)

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O. Low-Income Customer Data Sharing Cost Memorandum Account **(D)**

b. Monthly interest expense calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release 15, (http://www.federalreserve.gov/releases/H15/data/m/cp3m/txt), or its successor publication (debit or credit). **(D)**

PRELIMINARY STATEMENT Page 10

R. Office Remodel Balancing Account (ORBA) **(D)**

1. Purpose
The purpose of the Office Remodel Balancing Account is to track the revenue requirement associated with the building project, a reconfigured office building or other improvements. The recovery is limited to the annual revenue requirement associated with the forecast amount for construction costs of $702,000 and is subject to a complete reasonableness review for the cost and scope of the project. AVR will file a Tier 3 Advice Letter to request recovery of the balance once construction is completed or this account will be reviewed for recovery in AVR's next general rate case application. The authority to establish this account was granted in Decision 12-09-004, dated September 13, 2012.

2. Accounting Procedure
The following entries will be made monthly to the ORBA:

A. The recorded incremental revenue requirement resulting from rate base components associated with the project (debit).

B. Monthly interest expense calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release H.15 (http://www.federalreserve.gov/Releases//H15>NFCP>M3.txt), or its successor publication (debit or credit).

S. Employee and Retiree Healthcare Balancing Account

1. Purpose
The purpose of the Employee and Retiree Healthcare Balancing Account is to record and recover the difference between the adopted forecast and the actual costs of employee and retiree healthcare expenses beginning January 1, 2012. AVR will file an Advice Letter to request recovery of the balance or request recovery in AVR's next general rate case application. The authority to establish this account was granted in Decision 12-09-004, dated September 13, 2012.

2. Accounting Procedure
A. The following entries will be made monthly to the Employee and Retire Balancing **(D)**

(Continued)

PRELIMINARY STATEMENT Page 11

S. Employee and Retiree Healthcare Balancing Account (continued) **(D)**

Account: |

1. Recorded employee and retiree health care expense |
2. Adopted employee and retiree healthcare expense |
3. Net employee and retiree healthcare balance = (1) minus (2) |

|

B. Monthly interest expense calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release H.15 (http://www.federalreserve.gov/Releases//H15>NFCP>M3.txt), or its successor publication (debit or credit). **(D)**

T. Pension Expense Balancing Account

1. Purpose

The purpose of the Pension Balancing Account is to track the difference between actual and authorized pension expense. AVR will file an Advice Letter to request recovery of the balance or request recovery in AVR's next general rate case application. The authority to establish this account was granted in Decision 12-09-004, dated September 13, 2012.

2. Accounting Procedure

A. The following entries will be made monthly to the Pension Balancing Account:

1. Recorded pension expense
2. Adopted pension expense
3. Net pension balance = (1) minus (2)

B. Monthly interest expense calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release H.15 (http://www.federalreserve.gov/Releases//H15>NFCP>M3.txt)

C. , or its successor publication (debit or credit).

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V. Cost of Capital Memorandum Account **(D)**

1. Purpose

The purpose of the Cost of Capital Memorandum Account is to track the difference between the revenue AVR actually receives at rates based on the current authorized Cost of Capital and the revenues that AVR would have received at rates based on a future Commission decision adopting a final Cost of Capital for 2013. The authority to establish this account was granted in the ALJ's ruling in A.12-05-001. The account will track the following differences in revenue for 2013:

a. The difference in service charge revenue determined by the recorded number of customers multiplied by the difference between the service charge rates based on the current authorized Cost of Capital and the service charge rates resulting from the Cost of Capital increase authorized by the Commission at a future date.

b. The difference in commodity rate revenue determined by the recorded water sales multiplied by the difference between the commodity rates based on the current authorized Cost of Capital and the commodity rates resulting from Cost of Capital increase authorized by the Commission at a future date. **(D)**

(Continued)

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V. Cost of Capital Memorandum Account (continued) **(D)**

This account will not duplicate amounts recorded in the WRAM Balancing Account. This account will terminate after the Commission issues a final decision in A.12-05-001 and authorizes new rates based on a final Cost of Capital. Disposition of the amounts recorded in the Cost of Capital Memorandum Account shall be determined in a regulatory proceeding authorized by the Commission.

1. Accounting Procedure: The following entries will be made monthly to the Cost of Capital Memorandum Account.
   a. The difference between actual revenues based on current authorized cost of capital and the actual revenues recalculated at the water rates authorized by the Commission as described above (debit).
   b. Monthly interest expenses calculated at 1/12 of the most recent month's interest rate on Commercial Paper (nonfinancial, 3-month), published in the Federal Reserve Statistical Release, 15, (http://www.federalreserve.gov/release/H15), or its successor publication (debit or credit). **(D)**

PRELIMINARY STATEMENT Page 14

X. Income Tax Repair Regulations Implementation (ITRRI) Memorandum Account (D)

1. Purpose
   The purpose of the ITRRI Memorandum Account is to track the costs of initial implementation of the Repair Regulations and will include (i) outside implementation service fees, and (ii) other directly applicable costs to comply with the U.S. Treasury Department Regulations issued in December 2011 (T.D. 9564) and the Internal Revenue Service guidance issued on December 17, 2012 (Internal Revenue Bulletin 2012-51, Notice 2012-73). The ITRRI Memorandum Account will be made effective upon approval of Advice Letter No. 187-W.

2. Applicability
   The following entries will be made monthly to the ITRRI Memorandum Account:

   a. A debit entry shall be made to the ITRRI Memorandum Account at the end of each month to record any costs associated with the implementation of Repair Regulations.
   b. Monthly interest expense calculated at 1/12 of the most recent month's interest rate on Commercial Paper (nonfinancial, 3-month), published in the Federal Reserve Statistical Release H.15, http://www.federalreserve.gov/Releases//H15>NFCP>M3.txt), or its successor publication (debit or credit).

3. Disposition
   The ITRRI Memorandum Account will be reviewed in AVR's next General Rate Case. (D)

PRELIMINARY STATEMENT Page 15

Y. Tangible Property Regulations Consequences ("TPRC") Memorandum Account **(D)**

1. Purpose
The purpose of the TPRC Memorandum Account is to record the revenue requirement of the tax effects resulting from implementing the Internal Revenue Service guidelines for the water industry for determining which costs for maintaining, replacing, or improving property may be expensed and which costs must be capitalized ("Repair Regulations"). The memorandum account tracks permanent and flow-through tax effects on other tax calculations resulting from implementing the Repair Regulations that may increase or decrease Federal Income Taxes or California Corporation Franchise Taxes in years prior to 2016, including, but not limited to, changes to the Domestic Production Activities Deduction, CCFT, and audit defense costs directly associated with the implementation of the repair regulations. The TPRC Memorandum Account will be made effective upon approval of Advice Letter 187-W-A and will remain open until January 1, 2018.

2. Applicability
The following entries will be made monthly to the TPRC Memorandum Account:

   a. An entry (debit or credit) shall be made to the TPRC Memorandum Account at the end of each month to record the revenue requirement associated with the tax effects from implementing the income tax tangible property regulations ("Repair Regulations").

   b. Monthly interest expense calculated at 1/12 of the most recent month's interest rate on Commercial Paper (nonfinancial, 3-month), published in the Federal Reserve Statistical release H.15, http://www.federalreserve.gov/Releases//H15>NFCP>M3.txt), or its successor publication (debit or credit).

3 Effective Date
The TPRC shall go into effect on the effective date of Advice Letter 187-W-A.

4. Disposition
The TPRC will be reviewed in AVR's next General Rate Case. **(D)**

PRELIMINARY STATEMENT Page 16

Z. 2014 Water Conservation Memorandum Account **(D)**

1. Purpose
   The purpose of the 2014 Water Conservation Memorandum Account ("2014WCMA") is to track incremental expenses incurred by AVR to activate Rule 14.1 voluntary conservation, Schedule 14.1 mandatory rationing efforts, and other activities associated with the Governor of the State of California's Drought Emergency Declaration dated January 17, 2014 and Executive order dated April 25, 2014, and drought procedures ordered by the Commission for water conservation. The 2014WCMA will record AVR's incremental public relations expenses, incremental water conservation material expenses, and other Operations and Maintenance ("O&M") and Administrative and General ("A&G") expenses that are unforeseen and unexpected directly associated with complying and implementing the mandated conservation practices outlined in Rule 14.1, Schedule 14.1, the Governor of the State of California's Drought Emergency Declaration dated January 17, 2014 and Executive order dated April 25, 2014, and drought procedures ordered by the Commission for water conservation. The authority to establish this account was granted in Resolution W-4976 dated February 27, 2014.
2. Accounting Procedure
   The following entries will be made monthly to the 2014 Water Conservation Memorandum Account:
   a. The recorded incremental costs (debit).
   b. Monthly interest expense calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release H.15, http://www.federalreserve.gov/Releases//H15>NFCP>M3.txt), or its successor publication (debit or credit).
3. Effective Date
   The 2014WCMA shall have an effective date of February 27, 2014, the effective date of Commission Resolution W-4976. **(D)**

(Continued)

PRELIMINARY STATEMENT

AA. Interim Rates Memorandum Account – 2015 GRC (IRMA) **(D)**

1. Purpose
   The purpose of the IRMA is to track the difference between the interim rates and the final rates adopted by the Commission in A.14-01-002. The authority to establish this account was granted in Administrative Law Judge Tsen's ruling dated August 5, 2014 in Application 14-01-002.

2. Applicability
   The IRMA applies to all areas served.

3. Effective Date
   The IRMA will become effective on January 1, 2015.

4. Disposition
   The IRMA will remain in effect until a decision is reached in AVR's A.14-01-002 and the new rates are implemented at which time AVR will file an Advice Letter requesting amortization of the balance.

BB. Solar Project Memorandum Account

1. Purpose

   The purpose of the Solar Project Memorandum Account is to record costs incurred associated with investigating the viability of installing an Alternate Current (AC) solar photovoltaic generation system. After the Solar Project Memorandum Account is terminated and final balance has been calculated, AVR will request recovery of that balance in AVR's next GRC. The authority to establish this account was granted in Decision 15-11-030, dated November 19, 2015.

2. Accounting Procedure

   The following entries will be made monthly to the Solar Project Memorandum Account:

   A. The recorded incremental costs, as define above (debit).

   B. Monthly interest expense calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release H.15 (http://www.federalreserve.gov/Releases/1115>NFCP>M3.txt), or its successor publication (debit or credit). **(D)**

(Continued)

BB. School Lead Testing Memorandum Account (N)

Liberty Apple Valley shall maintain a School Lead Testing Memorandum Account ("SLTMA") to track incremental expenses (not already reflected in authorized rates) associated with conducting lead tests at K-12 grade schools within Liberty Apple Valley's service territory that request this service.

The SLTMA is being established pursuant to the Amendment to the Domestic Water Supply permits issued by the State Water Resources Control Board's Division of Drinking Water ("DDW") to Liberty Apple Valley on January 17, 2017.

1. Purpose

The purpose of the SLTMA is to track the incremental expenses (not already reflected in authorized rates) for customer outreach, and other incremental operation costs, including but not limited to, legal, Operations and Maintenance and Administrative and General expenses that are unforeseen, unexpected, and directly associated with complying and implementing the School Lead Testing Program.

2. Applicability

The SLTMA does not have a rate component.

The SLTMA shall include, but will not be limited to:

a. Incremental and necessary labor costs associated with planning and coordination with K-12 schools to develop individual sampling plans, collecting and submitting samples to laboratories, and administering program requirements including assisting the school with interpretation of laboratory results and contracted labor;
b. Laboratory fees for all lead sampling and reporting of the results to DDW and the school, and all laboratory coordination and instruction;
c. Incremental customer outreach costs that are necessary in coordination with the local school district, local community, and local officials, in compliance with DDW's School Lead Testing Program.

Liberty Apple Valley shall maintain the SLTMA by making entries at the end of each month as follows:

a. A debit entry shall be made to the SLTMA at the end of each month to record the expenses discussed above.
b. Interest shall accrue to the SLTMA 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 the end-of-month balances.

3. Effective Date

The SLTMA shall go into effect on January 17, 2017.

4. Disposition

Disposition of amounts recorded in the SLTMA shall be determined in a subsequent filing, as authorized by The Commission. (N)

(Continued)

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CC. Conservation Expense One-Way Balancing Account **(D)**

1. Purpose
   The purpose of the Conservation Expense One-Way Balancing Account (CEOWBA) is to track the difference between actual conservation program expenses and authorized conservation program expenses. The CEOWBA shall be capped at $344,066 and shall cover the three-year rate case cycle (2015-2017).

2. Applicability
   The following entries will be made monthly to the Conservation Expense One-Way Balancing Account:

   a. A credit entry shall be made to the CEOWBA at the end of each month to record 1/12 of the authorized conservation program expenses for years 2015, 2016, and 2017, as adopted in D.15-11-030.
   b. A debit entry shall be made to the CEOWBA at the end of each month to record monthly actual conservation expenses.
   c. The net difference between the monthly actual expenses and the monthly authorized expenses shall be recorded as a monthly entry in the CEOWBA. If the amount in 2a. exceeds the amount in 2b., a positive entry shall be entered. If 2b. exceeds 2a., a negative entry shall be entered. At the end of the 3-year authorization cycle, the cumulative internal spending cap of $344,066 must not be exceeded before a refund filing is required.
   d. Monthly interest expense calculated at 1/12 of the most recent month's interest rate on Commercial Paper (nonfinancial, 3-month), published in the Federal Reserve Statistical Release H.15, (http://www.federalreserve.gov/Releases//H15>NFCP>M3.txt), or its Successor publication (debit or credit).

3. Effective Date
   The CEOWBA shall have the effective date of January 1, 2015.
4. Termination
   The CEOWBA shall terminate on December 31, 2017, or when the surcredit (if applicable) expires, whichever is later.
5. Disposition
   Liberty Apple Valley will file a tier 2 advice letter with the Division of Water and Audits to dispose of any refunds (if applicable) recorded in the CEOWBA. **(D)**

PRELIMINARY STATEMENT

(Continued)

DD. Tax Cuts and Jobs Act ("TCJA") Memorandum Account

1. Purpose: The purpose of the TCJA Memorandum Account (Memo Account) is to track on a CPUC-jurisdictional revenue requirement basis the impacts of the TCJA not otherwise reflected in rates from January 1, 2018 until the effective date of the revenue requirement changes in the Utility's next General Rate Case (Memo Account Period).

2. General Information. The Utility shall record in this Memo Account realized increases or decreases in its CPUC-jurisdictional revenue requirement resulting from the TCJA. The Memo Account shall be used in determining whether any rate adjustment is necessary to reflect impacts of the TCJA during the Memo Account Period.

3. Memo Account Entries. The entries in the Memo Account may include the following:
   a. Realized decreases in revenue requirement resulting from the TCJA during the Memo Account Period.
   b. Realized increases in revenue requirement resulting from the TCJA during the Memo Account Period.
   c. Balances in the Memo Account will accrue interest at the 90-day commercial paper rate.

4. Disposition of Memo Account Balance. In the Utility's next General Rate Case, or at such other time as ordered by the CPUC, the balance in the Memo Account shall be addressed and rates shall be adjusted accordingly, as appropriate.

EE. Interim Rates Memorandum Account ("IRMA") (N)

1. Purpose: The purpose of the IRMA is to track the difference between the interim rates and final rates adopted by the Commission in A.18-01-002 et al. The authority to establish this account was granted in Administrative Law Judge Burcham's ruling dated March 19, 2019 in Application 18-01-002 et al.

2. Applicability: The IRMA applies to all areas served.

3. Effective Date: The IRMA will become effective on July 1, 2019.

4. Disposition: The IRMA will remain in effect until a decision is reached in Liberty Apple Valley's A.18-01-002 et al and the new rates are implemented at which time Liberty Apple Valley will file an Advice Letter requesting amortization of the balance. (N)

FF. Catastrophic Event Memorandum Account ("CEMA") (N)

1. Purpose: The purpose of the Catastrophic Event Memorandum Account ("CEMA") is to record all the costs incurred by the Utility associated with a catastrophic event. The authority to establish this account was granted in CPUC D.19-07-015. The Utility will record the costs for the following in the CEMA:

    a. Restoring utility service to the Utility's Customers;
    b. Repairing, replacing, or restoring damaged Utility facilities; and
    c. Complying with governmental agency orders.

    In addition, pursuant to Ordering Paragraph 10 of D.19-07-015 the CEMA shall be used to track associated costs for implementing customer protections for all disasters where the Governor of California or the President of the United States has declared a state of emergency. Each entries in the account shall be segregated by qualifying event.

2. Procedure

    a. A catastrophic event is defined as a disaster or state of emergency as declared by the appropriate federal or state authorities which includes the Governor of California or the President of the United States.
    b. Should a catastrophic event occur, the Utility will inform the Commission by letter within 30 days after the event that the Utility has started accruing costs in the CEMA. The letter shall be mailed to the Executive Director of the CPUC.
    c. The letter shall specify the date, time and location of the catastrophic event. The letter shall also state which service areas are affected, the impact on the Utility's facilities, and give an estimate of the extraordinary costs expected to be incurred.
    d. Entries to the CEMA shall be made at the end of each month commencing with the month in which the event occurs. The Utility shall record capital costs and expenses separately.
    e. Monthly interest expense would be calculated at 1/12 of the most recent month's interest rate on Commercial Paper (non-financial, 3-month), published in the Federal Reserve Statistical Release, www.federalreserve.gov/releases/H15, or its successor publication (debit/credit). (N)

(Continued)

PRELIMINARY STATEMENT Page 22

FF. Catastrophic Event Memorandum Account ("CEMA")

2. Procedure (Continued)
   f. The Utility shall not record any capital costs or expenses incurred prior to the start of the declared disaster or state of emergency, as identified by the appropriate authorities.

3. Applicability
   The CEMA balance will be recovered from all customer classes, unless specifically requested for exclusion by the Utility

4. Disposition
   Costs recorded in the CEMA may be recovered in rates only after a request by the Utility, a showing of reasonableness, and approval by the Commission. Such a request may be made by formal application specifically for that purpose, by inclusion in a subsequent general rate case, or advice letter request.

GG. Yermo Water Revenue Balancing Account ("YWRBA") **(N)**

1. Purpose
   The purpose of the YWRBA is to track the difference between the total authorized revenue for the 2019 – 2021 rate cycle and the recorded revenue for future disposition. The authority to establish this account was granted in D.20-09-019, dated September 24, 2020.
2. Applicability
   The YWRBA applies to all areas served in Yermo.
3. Definition
   A. Authorized revenue is the amount of metered usage and service charges related-revenue necessary to generate the adopted revenue requirement. In addition, surcharges and surcredits, unless specifically included in the authorized revenue requirement, are excluded from YWRBA accounting.
   B. Recorded revenue is the amount of revenue billed to customers in a particular period.
4. Accounting Procedure
   The following entries will be made monthly to the YWRBA:
   A. Authorized Revenue
   B. Recorded Revenue
   C. Total Net YWRBA Balance = (A) minus (B) **(N)**

GG. Yermo Water Revenue Balancing Account ("YWRBA") (continued)

5. Liberty Apple Valley will record the accumulated YWRBA Balance monthly, by adding the entry in Section 4.C. to the prior accumulated monthly balance. Liberty Apple Valley shall apply interest to the average net balance in the YWRBA at a rate calculated 1/12 of the most recent month's interest rate on commercial paper (non-financial, 3-month), published in the Federal Reserve Statistical Release, H.15, (http://www.federalreserve.gov/releases/H15/), or its successor (debit or credit). Accumulated interest will be included in the amount on which interest is charged, but will be identified as a separate component of the YWRBA.
6. Effective
   The YWRBA shall have the effective date of July 1, 2019.
7. The balance recorded in the YWRBA will be reviewed for recovery in Liberty Apple Valley's next general rate case.

PRELIMINARY STATEMENT
2021-2022 YWRBA

YERMO WATER REVENUE BALANCING ACCOUNT
(YWRBA)

Monthly Detail (In Thousands of Dollars)

Year_Month	Total Revenue ($)	
	584.9	(I)
2021_07	25.5	
2021_08	74.3	
2021_09	59.8	
2021_10	49.3	
2021_11	41.0	
2021_12	31.3	
2022_01	25.4	
2022_02	28.1	
2022_03	32.6	
2022_04	53.4	
2022_05	55.6	
2022_06	108.7	
12-Month Total	584.9	(I)

HH. Conservation Expense One-Way Balancing Account **(N)**

1. Purpose
   The purpose of the Conservation Expense One-Way Balancing Account ("CEOWBA") is to track the difference between actual program expenses and authorized conservation program expenses. The CEOWBA will be capped at the total adopted expenses for 2019-2021 combined (approximately $923,855) depending on the actual escalation factors for the escalation years.
2. Applicability
   The following entries will be made monthly to the CEOWBA:
   a. A credit shall be made to the CEOWBA at the end of each month to record 1/12 of the authorized conservation program expenses for 2019, 2020, and 2021, as adopted in D.20-09-019.

   b. A debit entry shall be made to the CEOWBA at the end of each month to the monthly actual conservation expenses.

   c. The net difference between the monthly actual expenses and the monthly authorized expenses shall be recorded as a monthly entry in the CEOWBA. If the amount in 2a. exceeds the amount in 2b., a positive entry shall be entered. If 2b. exceeds 2a., a negative entry shall be entered. At the end of the three year authorization cycle, the cumulative internal spending cap (approximately $923,855) must not be exceeded before a refund filing is required.
   Monthly interest expense will be calculated at 1/12 of the most recent month's interest rate on Commercial Paper (non-financial, 3-month), published in the Federal Reserve Statistical Release H.15, (http://www.federalreserve.gov/releases/H15/), or its successor publication (debit or credit).
   d. Refund: If at the end of June 30, 2022, the cumulative balance in the CEOWBA is positive (meaning the actual conservation expenses did not exceed the authorized expenses), Liberty Apple Valley shall refund the net positive balance to its customers. If the amount in the cumulative balance is negative at the end of June 30, 2022, then that balance shall not be recovered from customers.
3. Effective Date
   The CEOWBA shall have the effective date of July 1, 2019.
4. Termination
   The CEOWBA shall terminate on June 30, 2022, or when the surcredit (if applicable) expires, whichever is later.
5. Disposition
   Liberty Apple Valley will file a Tier 2 Advice Letter with Water Division to dispose of any refunds (if applicable) recorded in the CEOWBA. **(N)**

(Continued)

PRELIMINARY STATEMENT Page 25

HH. Consolidated Expense Balancing Account **(N)**

1. Purpose
   The purpose of the Consolidated Expense Balancing Account is to consolidate the amortization of Commission approved balancing account and memorandum accounts where appropriate. The authority to establish this account was granted in D.20-09-019, dated September 24, 2020.
2. Applicability
   The following entries will be made monthly to the CEBA:
   a. Authorized balancing or memorandum account under-collections will be credited from the current account and debited to the CEBA.
   b. Authorized balancing or memorandum account over-collections will be debited from the current account and credited to the CEBA.
   c. Any surcharge collections will be applied as a credit to the overall balance.
   d. Any surcredits will be applied as a debit to the overall balance.
   e. A debit or credit entry equal to interest on the balance in the account at the beginning of the month and half the balance after the above entries, at a rate equal to one-twelfth of the rate on 90 day Commercial Paper, as reported in the Federal Reserve Statistical Release, H.15 or its successor.
3. Effective Date
   The CEBA shall go into effect on the effective date of Advice Letter 245-W.
5. Disposition
   The CEBA is recoverable through a Tier 1 advice letter filing. If the net CEBA balance after incremental transfers is under-collected, the account will be amortized by applying a uniform volumetric surcharge. If the net CEBA balance after incremental transfers is over-collected, the net over-collection shall be amortized and credited to the service charge of all customers. **(N)**

II. **2021 Water Conservation Memorandum Account** (continued) **(N)**

1. Purpose

The purpose of the 2021 Water Conservation Memorandum Account Expense ("2021WCMA") will track the extraordinary expenses and penalties associated with the activation of Schedule 14.1 and the implementation of Rule 14.1. The 2021WCMA is consistent with Commission Resolution 4976 and the Commission's Standard Practice U-40-W, Procedures for Water Conservation, Rationing, and Service Connection Moratoria.

2. Applicability

The 2021WCMA will record Liberty Apple Valley's incremental public relations expenses, incremental conservation expenses, water conservation material expenses including but not limited to lawn replacement programs, appliance and fixture rebate programs, and other Operations and Maintenance ("O&M") and Administrative and General ("A&G") expenses, penalties, fines and surcharges from wholesale providers and governing agencies that are unforeseen and unexpected directly associated with complying and implementing the mandated conservation practices.

3. Monthly Account Entries

The following entries shall be made to the 2021WCMA on a monthly basis:

a. The recorded incremental costs.

b. Monthly interest expense calculated at 1/12 of the most recent month's interest rate on the 3-month non-financial Commercial Paper Rate, published in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances. H.15, (http://www.federalreserve.gov/Releases//H15>NFCP>M3.txt), or its successor publication (debit or credit).

4. Effective Date

The 2021WCMA shall have an effective date of December 8, 2021.

5. Disposition

Disposition of amounts recorded in the 2021WCMA shall be determined in Liberty Apple Valley's next General Rate Case application, or as otherwise determined by the Commission if the account's cumulative balance exceeds 2% of Liberty Apple Valley's adopted gross revenues. **(N)**

PRELIMINARY STATEMENT Page 27

JJ. Drinking Water Fee Memorandum Account **(D)**

1. Purpose

   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 (State Board)(based upon the revised fee schedule adopted by the State Board on September 22, 2021) and the drinking water fees authorized in rates.

2. Applicability

   Liberty Apple Valley shall maintain the DWFMA by making entries at the end of each month as follows:

   a. A debit entry shall be made to the DWFMA at the end of each month to record the expenses.

   b. Interest shall accrue to the DWFMA 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. H.15, (http://www.federalreserve.gov/Releases//H15>NFCP>M3.txt), or its successor publication (debit or credit).

3. Effective Date

   The DWFMA shall go into effect on the effective date of Liberty Apple Valley's Advice Letter 261-W. The DWRMA will sunset with the effective date of Liberty Apple Valley's rates from its July 2024 General Rate application.

4. Disposition

   Disposition of amounts recorded in the DWFMA shall be determined in Liberty Apple Valley's next General Rate Case application, or as otherwise determined by the Commission if the account's cumulative balance exceeds 2% of Liberty Apple Valley's adopted gross revenues. The recovery of over/under collections will be passed on to the customers through volumetric surcredits or surcharges. **(D)**

KK. Drought Revenue Memorandum Account

1. Purpose

   The purpose of the 2022 Drought Revenue Memorandum Account ("2022 DRMA") is to track the usage revenue shortfalls and drought surcharge revenues associated with the activation of Schedule 14.1 and Rule 14.1 for future disposition. The 2022 DRMA is consistent with Commission's Resolution W-4976 and Standard Practice U-40-W, Procedures for Water Conservation, Rationing, and Service Connection.

2. Applicability

   The 2022 DRMA is apply to all areas served.

3. Definitions

   A. Usage Revenue is all revenue excluding metered service charges, gravity irrigation quantity charges, public and private fire protection service, and unmetered and other miscellaneous revenue. In addition, surcharges and surcredits, unless specifically included in adopted revenue requirement, are excluded from usage revenue.

(Continued)

KK. Drought Revenue Memorandum Account (continued)

3. Definitions (continued)

   B. Recorded Commodity Revenue is the amount of revenue billed to customers in a particular period.

   C. Adopted Commodity Revenue is the amount of metered usage-related revenue necessary in conjunction with adopted commodity revenue to generate the adopted revenue requirement.

   D. Drought Surcharge Revenue is the amount of surcharge billed to customers related to activation of Schedule 14.1 in a particular period.

4. Accounting Procedure

   A. The following entries will be made monthly to the 2022 DRMA to record the commodity revenue shortfalls:

      1. Recorded commodity revenue (Credit).

      2. Adopted commodity revenue (Debit).

      3. Total net commodity revenue shortfalls = (2) – (1) (Debit).

   B. The following entries will be made monthly to the 2022 DRMA to record the drought surcharge revenues:

      1. Recorded drought surcharge revenue (Credit).

   C. Total Net 2022 DRMA balance = (A.3) + (B.1) (Debit or Credit).

   D. Monthly interest expense calculated at 1/12 of the most recent month's interest rate on the 3-month non-financial Commercial Paper Rate, published in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances. H.15, (http://www.federalreserve.gov/Releases//H15>NFCP>M3.txt), or its successor publication (debit or credit).

5. Effective Date

   The 2022 DRMA shall have an effective date of July 1, 2022.

6. Disposition

   Disposition of amounts recorded in the 2022 DRMA shall be determined in Liberty Apple Valley's next General Rate Case application, or as otherwise determined by the Commission if the account's cumulative balance exceeds 2% of Liberty Apple Valley's adopted gross revenues.

LL. Interim Rates Memorandum Account **(N)**

1. Purpose

   The purpose of the Interim Rates Memorandum Account ("IRMA") is to track the difference between the interim rates and the final rates adopted by the Commission in A.21-07-003, et al. The authority to establish this account was granted in Administrative Law Judge (ALJ) Park's ruling dated May 27, 2022 in Application 21-07-003, et al.

2. Applicability

   The IRMA applies to all areas served. **(N)**

(Continued)

PRELIMINARY STATEMENT Page 29

LL. Interim Rates Memorandum Account (continued)

3. Effective Date

   The IRMA will become effective on July 1, 2022.

4. Disposition

   The IRMA will remain in effect until a decision is reached in Liberty Apple Valley's A.21-07-003, et al. and the new rates are implemented at which time Liberty Apple Valley will file an Advice Letter requesting amortization of the balance.

MM. Monterey Water Revenue Adjustment Mechanism (MWRAM) Balancing Account **(N)**

1. Purpose

   The purpose of the Monterey Water Revenue Adjustment Mechanism ("MWRAM") Balancing Account is to track differences between recorded quantity rate water revenues received under tiered rates to the equivalent rate revenues received if Liberty Apple Valley 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. The authority to establish this account was authorized in D.23-02-003.

2. Applicability

   The MWRAM applies to all areas served.

3. Effective Date

   The MWRAM will become effective on July 1, 2022.

4. Definitions

   a. Non-MWRAM revenue is all revenue excluded from the MWRAM 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 MWRAM tracking.

   b. MWRAM-eligible revenue is all revenue not excluded in 4.a, above. Generally, MWRAM eligible revenue results from potable quantity charges to residential customers being charged tiered rates and not uniform rates.

   c. Recorded MWRAM-eligible revenue is the amount of residential tiered usage-related revenue billed to qualifying customers in a particular period.

   d. Adopted MWRAM-eligible revenue is the amount of residential tiered rate quantity related revenue calculated at uniform rates using actual quantity billed.

5. Accounting Procedure

   a. The following entries will be recorded monthly in the MWRAM:

      1. Recorded MWRAM-eligible revenue.

      2. Adopted MWRAM-eligible revenue.

      3. Total Net MWRAM balance = (2) minus (1) **(N)**

(Continued)

MM. Monterey Water Revenue Adjustment Mechanism (MWRAM) Balancing Account **(N)**

5. Accounting Procedure (continued)

   a. The following entries will be recorded monthly in the MWRAM: (continued)

      4. A negative (-) balance in the MWRAM reflects a utility over collection to refunded, whereas a positive balance reflects a utility under collection to be recovered in rates.

   b. The company will record the accumulated MWRAM balance monthly, by adding its entry in Section a.3 above to the prior accumulated monthly balance.

   c. Monthly interest expense shall be calculated at 1/12 of the most recent month's interest rate on the 3-month non-financial Commercial Paper Rate, published in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances. H.15, (http://www.federalreserve.gov/Releases//H15>NFCP>M3.txt) or its successor publication.

6. Disposition

   If the accumulated balance for the MWRAM 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 Liberty Apple Valley's next General Rate Case.

NN. Incremental Cost Balancing Account (ICBA)

1. Purpose

   The purpose of the Incremental cost Balancing Account ("ICBA") is to track the water supply related costs for the domestic system. These costs shall include purchased power, replenishment, and chemicals. The authority to establish this account was authorized in D.23-02-003.

2. Applicability

   The ICBA applies to all areas served.

3. Effective Date

   The ICBA will become effective on July 1, 2022.

4. Accounting Procedure

   a. The following entries will be recorded monthly in the ICBA:

      1. Recorded purchased power cost per A.F.
      2. Adopted purchased power cost per A.F.
      3. Difference between (1) and (2)
      4. Multiply (3) by recorded A.F.
      5. Recorded Replenishment Administrative and Biological Assessment cost per A.F.
      6. Adopted Replenishment Administrative and Biological Assessment cost per A.F.
      7. Difference between (5) and (6). **(N)**

(Continued)

NN. Incremental Cost Balancing Account (ICBA)

4. Accounting Procedure (continued)

a. The following entries will be recorded monthly in the ICBA: (continued)

8. Multiply (7) by recorded A.F.
9. Recorded Replenishment Make-up Assessment cost per A.F.
10. Adopted Replenishment Make-up Assessment cost per A.F.
11. Difference between (8) and (9)
12. Multiply (11) by recorded A.F.
13. Recorded Replenishment Leased Water Rights cost per A.F.
14. Adopted Replenishment Leased Water Rights cost per A.F.
15. Difference between (13) and (14).
16. Multiply (15) by recorded A.F.
17. Recorded chemicals cost per A.F.
18. Adopted chemicals cost per A.F.
19. Difference between (17) and (18).
20. Multiply (19) by recorded A.F.
21. Total Net ICBA = (4) + (8) + (12) + (16) + (20)
22. A negative (-) balance in the ICBA reflects a utility over collection to refunded, whereas a positive (+) balance reflects a utility under collection to be recovered in rates.

b. The company will record the accumulated ICBA balance monthly, by adding its entry in Section a.21 above to the prior accumulated monthly balance.

c. Monthly interest expense shall be calculated at 1/12 of the most recent month's interest rate on the 3-month non-financial Commercial Paper Rate, published in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances. H.15, (http://www.federalreserve.gov/Releases//H15>NFCP>M3.txt) or its successor publication.

5. Disposition
If the accumulated balance for the ICBA 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 Liberty Apple Valley's next General Rate Case.

OO. Lead and Copper Rule Revisions Memorandum Account (LCRRMA) **(N)**

1. Purpose
The purpose of the LCRRMA is to track and recover any incremental expenses and carrying costs on capital investments incurred by Liberty Apple Valley 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 Liberty Apple Valley's authorized rates. **(N)**

(Continued)

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OO. Lead and Copper Rule Revisions Memorandum Account (LCRRMA) (Continued)

2. Applicability
Liberty Apple Valley expects to incur expenses related to the initial comprehensive study of service line materials that include 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 Liberty Apple Valley'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 childcare facility inventories for all Liberty Apple Valley's systems, and preparation 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 all related costs including, but not limited to, developing of service line material inventories, lead and copper sampling plans/monitoring at the taps of private customers, daycares and schools/preparation of lead Service Line Replacement plans/public messaging, education and customer notifications.

b. Monthly interest expense shall be calculated at 1/12 of the most recent month's interest rate on the 3-month non-financial Commercial Paper Rate, published in the Federal Statistical Release, to the average of the beginning-of-month and the end-of-month balances. H.15, (http://www.federalreserve.gov/Releases//H15>NFCP>M3.txt) or its successor publication.

c. A debit entry equal to the revenue of each capital expenditure at Liberty Apple Valley'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 filing date of Advice Letter No. 272-W. The LCRRMA will remain open until one year after the completion of the LCRR.

5. Disposition
Disposition of amounts recorded in the LCRRMA shall be determined in Liberty Apple Valley's next General Rate Case.

(Continued)

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PP. Drinking Water Fees Balancing Account

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 Board) (based upon the revised fee schedule adopted by the State Board on September 22, 2021, and any subsequent revisions) and the drinking water fees authorized in rates.

2. Applicability

Liberty Apple Valley shall maintain the DWFBA by making entries at the end of each month as follows:

a. A debit entry shall be made to the DWFBA at the end of each month to record the difference between actual drinking water fees and adopted fees.

b. Pursuant to Standard Practice U-27-W of the Water Division, interest shall accrue to the DWFBA 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. H.15, (http://www.federalreserve.gov/Releases//H15>NFCP>M3.txt), or its successor publication (debit or credit).

3. Effective Date

The DWFBA shall go into effect on the effective date of Liberty Apple Valley's Advice Letter 261-W, which is December 15, 2021.

4. Disposition

Disposition of amounts recorded in the DWFBA shall be determined in Liberty Apple Valley's next General Rate Case application, or as otherwise determined by the Commission if the account's cumulative balance exceeds 2% of Liberty Apple Valley's adopted gross revenues. The recovery of over/under collections will be passed on to the customers through volumetric surcredits or surcharges.

QQ. Interim Rates Memorandum Account **(N)**

1. Purpose

The purpose of the Interim Rates Memorandum Account ("IRMA") is to track the difference between the interim rates and the final rates adopted by the Commission in A.24-01-002, et al, for rate case cycle 2025-2027. The authority to establish this account was granted in Administrative Law Judge (ALJ) Melvin's ruling dated May 30, 2025 in A.24-01-002, et al.

2. Applicability

The IRMA applies to all areas served. **(N)**

(Continued)

QQ. Interim Rates Memorandum Account (continued)

3. Effective Date

   The IRMA will become effective on July 1, 2025.

4. Disposition

   The IRMA will remain in effect until a decision is reached in Liberty Apple Valley's A.24-01-002, et al, and the new rates are implemented at which time Liberty Apple Valley will file an Advice Letter requesting amortization of the balance.

RR. Water Use Efficiency Plan (WUEP) and Conservation Memorandum Account **(N)**

1. Purpose

   Pursuant to Decision 26-05-032, as revised by Decision 26-08-012, Liberty Apple Valley shall continue its Water Use Efficiency Plan (WUEP). The WUEP consists of 20 conservation programs approved for Test Year 2025 and escalation years.

   Decision 26-05-032, as revised by Decision 26-08-012, authorized a Conservation Memorandum Account (CMA) to record incremental costs associated with compliance with the State Water Resources Control Board's conservation regulation, "Make Conservation a California Way of Life," incurred during the rate cycle covered by Decision 26-05-032.

2. Accounting Procedure

   The CMA shall record:

   a. Debit entries for incremental costs associated with compliance with the State Water Resources Control Board's conservation regulation, "Make Conservation a California Way of Life."

   b. Monthly interest shall be calculated at 1/12 of the most recent month's interest rate on the 3-month non-financial Commercial Paper Rate, published in the Federal Statistical Release, to the average of the beginning-of-month and the end-of-month balances. H.15, (http://www.federalreserve.gov/Releases//H15>NFCP>M3.txt) or its successor publication.

3. Disposition

   Amounts recorded in the CMA are subject to a reasonableness review in a General Rate Case, or in an appropriate advice letter filing consistent with General Order 96-B. **(N)**