

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



May 5, 2026

RE: Rates of Return and Rates of Margin for Class C, Class D Water and Sewer Utilities

TO: Class C, Class D Water and Sewer Utilities

By this memorandum, the Water Division (WD) will maintain for 2026 the Rates of Return (ROR) and Rates of Margin (ROM) for Class C, Class D Water and Sewer Utilities from 2025. WD considered several factors in determining the continuation of the 2025 ROR and ROM through 2026. WD assessed the movement in actual and forecasted interest rates, operational risks faced by the small investor-owned water and sewer utilities, and the constant level of authorized ROR for Class A and Class B water utilities. The Commission has also authorized multiple extensions for Class A water utilities to file their Cost of Capital (CoC) applications. The most recent authorized CoC decisions were in 2023 (D.23-06-025) and 2024 (D.24-12-007).

The Class A and Class B water utilities currently average RORs of 7.72% and 9.33%, respectively. The equivalent ROM average for Class B water utilities is 18.94%.

For 2026, WD recommends that the following ROR and ROM be used in the water utilities' informal general rate cases:

Utility Type	Rate of Return (ROR)	Rate of Margin (ROM)
Class C	12.50% to 13.90%	26.79%
Class D	12.80% to 14.30%	27.50%

If you have any questions regarding the ROR and ROM recommendations, please contact Kevin Truong at [vt4@cpuc.ca.gov](mailto:vt4@cpuc.ca.gov) or (628) 217-1909.

Sincerely,

/s/BRUCE DEBERRY

Bruce DeBerry, Program Manager  
Water Division