

Preliminary Statement  
(continued)

AG. Catastrophic Event Memorandum Account (CEMA)

1. PURPOSE: The purpose of the CEMA is to record the costs of: restoring customers' utility service; repairing, replacing or restoring damaged utility facilities; and complying with government agency orders resulting from declared disasters. The CEMA shall also track associated costs with emergency customer protections and the implementation of those protections for all disasters. (N)

The authority to establish this memorandum account was granted in Ordering Paragraph 1 of CPUC Resolution E-3238, dated July 24, 1991.

Should a disaster occur, the utility will, if possible, inform the executive Director of the CPUC by letter within 30 days after the catastrophic event that the utility has started booking costs to the CEMA.

The letter shall specify the declared disaster, date, time, location, service area affected, impact on the utility's facilities, and an estimate of the extraordinary costs expected to be incurred, with costs due to expenses and capital items shown separately.

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.

2. APPLICABILITY: The CEMA balance will be recovered from all customer classes, except those specifically excluded by the CPUC.
3. CEMA RATES: The CEMA does not currently have a rate component. Requests for recovery of any balance in the CEMA are to be processed according to General Order 96-B and Standard Practices or or requested in a general rate case. Requests for recovery shall include a showing that the costs to be recovered were not included in rates.
4. ACCOUNTING PROCEDURE:
- a. A debit entry equal to the amounts recorded in the utility's accounts that were incurred as a result of the disaster and related events. All entries in the account will be segregated by qualifying event. (N)
- b. A debit entry equal to:
- (1) Depreciation expense on the average of the beginning and the end-of-month balance of plant installed to restore service to customers, or to replace, repair, or restore any plant or facilities, or to comply with government agency orders, in connection with events declared disasters, at one-twelfth of the annual depreciation rates approved by the CPUC for these plant accounts; plus
  - (2) The return on investment on the average of the beginning and the end-of-month balance of plant installed to restore service to customers, or to replace, repair, or restore any plant or facilities, or to comply with government agency orders, in connection with events declared disasters, at one-twelfth of the annual depreciation rates approved by the CPUC for these plant accounts; plus
  - (3) The return on the appropriate allowance for working capital using calculations last adopted by the CPUC for the utility, and the return in 4.b.(2) above; plus
  - (4) The return on net cost of removal of facilities required as a result of the disaster and related events, using the return in 4.b.(2) above; less
  - (5) The return on the average of beginning and end-of-month accumulated depreciation, and on average accumulated net deferred taxes on income resulting from the normalization of federal tax depreciation, using the rate of return in 4.b.(2) above.

(Continued)

(To be inserted by utility)

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Issued by

GREG A. MILLEMAN

NAME

Vice President

TITLE

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(continued)

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4. ACCOUNTING PROCEDURE: (Continued)

- c. A debit entry equal to federal and state taxes based on income associate with item 4.b.(2) above, (L)  
calculated at marginal tax rates currently in effect. This will include all applicable statutory adjustments. (L)

For federal and state taxes, this will conform to normalization requirements as applicable. Interest cost will be at the percentage of net investment last adopted by the CPUC with respect to the utility.

- d. A credit entry to transfer all or a portion of the balance in this CEMA to other adjustment clauses for future recovery, as may be approved by the CPUC.
- e. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after the entries from 4.a. through 4.c. above, at a rate equal to one-twelfth of the interest on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication until a final Commission determination on rate recovery for the amount.

Entries in items 4.a. and 4.b. above shall be made net of the appropriate insurance proceeds.

- 5. FINANCIAL REPORTING: The utility may, at its discretion, record the balance in the CEMA as a deferred debit on its balance sheet with entries to the appropriate income statements as necessary.

(Continued)

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