#### **CALIFORNIA-AMERICAN WATER COMPANY**

655 W. Broadway, Suite 1410 San Diego, CA 92101 Cancelling

Revised Revised Cal. P.U.C. Sheet No. Cal. P.U.C. Sheet No.

10172-W 9634-W

# PRELIMINARY STATEMENT (Continued)

Sheet 1

#### G. Catastrophic Event Memorandum Account ("CEMA")

#### 1. PURPOSE:

The purpose of the CEMA is to recover the costs resulting from a catastrophic event declared a disaster or state of emergency by competent federal or state authorities. These costs can include but are not limited to expenses related to the restoration of service and California American Water facilities affected by the catastrophic event. These costs may also include but are not limited to cost for implementing customer protections for all disasters in which the Governor of California or the President of the United States has declared a state of emergency. California American Water was granted authority for this account in CPUC Resolution E-3238, dated July 24, 1991.

Should a disaster occur, California American Water will inform the Executive Director of the CPUC by letter within 30 days after the catastrophic event that California American Water has started booking costs in the CEMA.

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

California American Water 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, pursuant to Government Code Sections 8558, 8588, and 8625, or comparable federal authority.

Descriptions of the terms and definitions used in this section are found in Rule 1.

Per Decision D.19-07-015, California American Water will track the associated costs from each segregated event in its Catastrophic Event Memorandum Account.

#### 2. APPLICABILITY:

The CEMA balance will be recovered from all customer classes from the utility's customer base, except those specifically excluded by the CPUC.

#### 3. CEMA RATES:

The CEMA does not currently have a rate component. Any balance in the CEMA will be recovered in rates after CPUC review and audit of the recorded CEMA balance.

#### 4. ACCOUNTING PROCEDURE:

Upon declaration of a disaster or state of emergency, California American Water shall maintain the CEMA from the date of the event causing the disaster occurred by making entries to this account at the end of each month as follows:

A debit entry for each qualifying event equal to the amounts recorded in California
American Water's Operations and Maintenance, and Administrative and General Expense
Accounts that were incurred as a result of the disaster and related events.

(Continued)

(TO BE INSERTED BY UTILITY)		ISSUED BY	(TO BE INSERTED BY C.P.U.C.)	
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CALIFORNIA-AMERICAN WATER COMPANY

655 W. Broadway, Suite 1410 San Diego, CA 92101

#### Revised Cancelling Revised

Cal. P.U.C. Sheet No. Cal. P.U.C. Sheet No.

10173-W 9635-W

## PRELIMINARY STATEMENT (Continued)

Sheet 2

### G. Catastrophic Event Memorandum Account ("CEMA") (continued)

- 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 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 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 rate of return on investment last adopted for California American Water by the CPUC; plus
  - 3. The return on the appropriate allowance for working capital using calculations last adopted by the CPUC, and the return in Section 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 rate of return in Section 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 Section 4.b.2 above.
- c. A debit entry equal to federal and state taxes based on income associated with Section 4.b.2 above, calculated at marginal tax rates currently in effect. This will include all applicable statutory adjustments. 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 California American Water.
- d. A credit entry to transfer all or a portion of the balance in this CEMA to other adjustment clauses for future rate 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 Section 4.a through 4.c above, at a rate equal to one twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release or its successor. Entries in items 4.a and 4.b above, shall be made net of the appropriate insurance proceeds. Items 4.a, 4.b, and the appropriate determinants of item 4.c above, in any month, shall be pro-rated to reflect the latest jurisdictional allocation factors.

#### 5. FINANCIAL REPORTING:

California American Water may, at its discretion, record the balance in the CEMA as a deferred debit on its balance sheet with entries to the appropriate income statement accounts, as necessary.

(Continued)

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