

Preliminary Statement
(continued)

K. WAUSAU MEMORANDUM ACCOUNT (WMA)

1. PURPOSE:

The purpose of the WMA is to track the costs incurred with litigation initiated by Employer's Insurance of Wausau (Wausau) against Cal Water and Cal Water's counterclaim. The litigation involves disputed insurance coverage for two groundwater contamination lawsuits filed against Cal Water in Chico. Cal Water will incur internal and external costs to support its Wausau litigation efforts. The WMA will track actual costs incurred and any amounts recovered from Wausau. In addition, the account will track remediation costs incurred as a result of any settlement or judgement in the groundwater contamination lawsuits which may be the responsibility of Cal Water or Wausau pending a resolution of the Wausau litigation. The balance of the WMA will be recovered in rates after CPUC review and audit of the recorded WMA balance. (N)

2. APPLICABILITY

The WMA shall apply to all customers in the Chico District. In any recovery of the balance, the Commission should have discretion on the allocation of costs to different types and classes of customers (T)

3. WMA RATES:

The WMA does not have a rate component.

4. ACCOUNTING PROCEDURE: Cal Water shall maintain the WMA until conclusion of its litigation against Wausau. Entries will be made into the WMA at the end of each month as follows:

- a. A credit or debit entry equal to the amounts recorded in Cal Water's Operations and Maintenance, and Administrative and General Expense Accounts for the Chico district incurring costs to support the Wausau litigation action.
- b. A debit or credit entry equal to any recovery of costs recorded in the WMA and Cal Water's Operations and Maintenance and Administrative and General Expense Accounts for the Chico District as approved or ordered by the Court in connection with the WMA litigation action.
- c. A debit or credit entry equal to the average balance in the account times the 90-day commercial paper rate.
- d. A debit or credit entry to capture any revenue rate recovery as authorized by the CPUC.
- e. A debit or credit entry to transfer all or a portion of the balance in the WMA for rate recovery as may be approved by the CPUC.
- f. A debit or credit entry for operating expenses directly attributable to Cal Water's remediation of groundwater contamination pursuant to a judgement or settlement in the groundwater contamination lawsuits. (N)
- g. A debit or credit entry for the revenue requirement (depreciation, authorized return on rate base, ad valorem tax, income tax, franchise tax, and business license fee) of any facility constructed for remediation of groundwater contamination pursuant to a judgement or settlement in the groundwater contamination lawsuits. (N)

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 1874

THOMAS F. SMEGAL

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Vice President
NAME
TITLE

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Resolution No. -