

Preliminary Statement  
(continued)

U. TORT LITIGATION MEMORANDUM ACCOUNT (TLMA)

1. PURPOSE:

The purpose of the TLMA is to track the costs incurred with litigation initiated by Victor Guerrero and Hortencia Guerrero (Guerrero) against Cal Water. The litigation involves allegations that Cal Water failed to use reasonable care in maintaining its system and in notifying the Guerreros of certain water quality sampling results. Cal Water will incur internal and external costs to support its Guerrero litigation efforts. Cal Water has tendered a claim with its insurance carrier for the Guerrero litigation. The TLMA will track actual costs incurred, including but not limited to settlements, damage awards and any amounts recovered from its insurance carrier. The balance of the TLMA will be recovered in rates after CPUC review and audit of the recorded TLMA balance.

2. APPLICABILITY:

The TLMA shall apply to all customers. In any recovery of the balance, the Commission should have discretion on the allocation of costs to different types and classes of customers.

3. TLMA RATES:

The TLMA does not have a rate component.

4. ACCOUNTING PROCEDURE:

Cal Water shall maintain the TLMA until conclusion of the litigation initiated by the Guerreros against Cal Water. Entries will be made into the TLMA 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 costs to support the Guerrero litigation action.
- b. A debit or credit entry equal to any recovery of costs recorded in the TLMA and Cal Water's Operations and Maintenance and Administrative and General Expense Accounts as determined by settlement approved or ordered by the Court in connection with the TLMA litigation action.
- c. A credit entry equal to any payments Cal Water receives from the claim it filed with its insurance carrier for litigation costs.
- d. A debit or credit entry equal to the average balance in the account times the 90-day commercial paper rate calculated on a monthly basis.
- e. A debit or credit entry to capture any revenue rate recovery as authorized by the CPUC.
- f. A debit or credit entry to transfer all or a portion of the balance in the TLMA for rate recovery as may be approved by the CPUC.

(To be inserted by utility)

Advice Letter No. 2003  
Decision No. -

Issued by

THOMAS F. SMEGAL  
NAME  
Vice President  
TITLE

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

Date Filed \_\_\_\_\_  
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