

Preliminary Statement
(continued)

This tariff sheet is effective as of 9/25/14, but is subject to refund until approved by the California Public Utilities Commission.

AD. Stockton Litigation Memorandum Account (SLMA)

1. PURPOSE: The purpose of the SLMA is to record (i) incremental costs associated with litigation related to a purchase water agreement with the Stockton East Water District (SEWD) for water serving Cal Water's Stockton District; and (ii) Cal Water's purchased water overpayments to SEWD resulting from alleged breaches of contract by other parties. Cal Water will incur incremental internal and external costs to support its litigation efforts. The SLMA will track actual costs. The SLMA will also track any litigation awards and settlement proceeds, overpayments to SEWD for purchased water, and the amount of overpayments included in rates.
2. APPLICABILITY: The SLMA is applicable to the Stockton District.
3. ACCOUNTING PROCEDURE: Cal Water shall maintain the SLMA until further order of the Commission authorizing it to be closed or modified. The entries below will be made in the SLMA and tracked separately. The purpose of the entries is to preserve the full range of regulatory options for the Commission and to coordinate this memorandum account with adopted revenue requirements.
 - a. A credit or debit entry equal to the amounts recorded in Cal Water's Operation & Maintenance and Administrative & General Expense Accounts for incremental costs incurred to support the SLMA litigation.
 - b. A debit or credit entry equal to any recovery of costs recorded in the SLMA, and in Cal Water's Operation & Maintenance and Administrative & General Expense Accounts, obtained through monetary judgments or settlements in the subject litigation.
 - c. A debit or credit entry equal to the amounts of overpayments to SEWD for purchased water.
 - d. A debit or credit entry equal to the amounts of those overpayments that have been included in rates.
 - e. A monthly debit or credit entry equal to the average balance in each segment of the SLMA (as described in paragraphs a through d) multiplied by 1/12th of the most recent month's interest rate on Commercial Paper (prime, 90-day), published in Federal Reserve Statistical Release H-15.
4. RATEMAKING PROCEDURE: There is currently no ratemaking component to the SLMA. Requests for recovery of any balance in the SLMA are to be processed according to General Order 96-B and Standard Practices 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.
5. REPORTING: Cal Water will consult with the Division of Water & Audits (DWA) and the Office of Ratepayer Advocates (ORA) on a semi-annual basis and submit a report in the form of an informational-only advice letter to DWA (with a copy to ORA) in October and April of every year that will outline the litigation status and litigation costs in the memorandum account charges.

(T)
(T)
(N)
(L) (N)
(D)