

Preliminary Statement

(continued)

V. PCE LITIGATION MEMORANDUM ACCOUNT (PCELMA)

1. PURPOSE: The purpose of the PCELMA is to track the costs incurred with litigation against manufacturers, refineries, and service station operators referred to as potentially responsible parties (PRPs), that produced and/or distributed products, which contained perchloroethylene, also known as tetrachloroethylene (PCE) in California. Cal Water will incur incremental internal and external costs to support its litigation effort. The PCELMA will track actual costs. The balance in the PCELMA will be recovered in rates after CPUC review and audit of the recorded PCELMA balance.
2. APPLICABILITY: The PCELMA balance will be recovered from all customer classes within each applicable district, except those specifically excluded by the CPUC. The PCELMA applies in all Cal Water districts which pump groundwater potentially contaminated with PCE. Currently the PCELMA shall apply to the following districts: Bakersfield; Chico; East Los Angeles; Livermore; Marysville; Oroville; Salinas; South San Francisco; Stockton; and, Visalia.
3. PCELMA RATES: The PCELMA does not currently have a rate component.
4. ACCOUNTING PROCEDURE: Cal Water shall maintain the PCELMA until further order of the Commission authorizes it to be closed or modified. Entries will be made into the PCELMA at the end of each month. The purpose of the entries described herein is to preserve the full range of regulatory options for the Commission and to coordinate this memorandum account with adopted revenue requirements. Entries shall be tracked separately as follows:

Investment Entries

- 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 each district that incurred costs to support the PCE litigation action.
- b. A debit or credit entry equal to the amounts obtained in judgments or settlements in the subject litigation.
- c. A debit or credit entry equal to the original cost of capital investments placed in service to replace PCE contaminated property or to treat water for PCE contamination, including such projects that have been completed prior to the adoption of this memorandum account. Cal Water shall record the capital investment by project and by district.

Revenue Requirement Entries (Note: These entries are not necessarily cumulative and are recorded in order to preserve the range of potential regulatory outcomes the Commission may elect.)

- d. A debit or credit entry equal to the revenue requirement of each capital investment recorded in (c.) as if it were shareholder-funded (including return on investment, income taxes, ad valorem tax, depreciation, other taxes and fees). Cal Water shall record the revenue requirement by project and by district.
- e. A debit or credit entry equal to the revenue requirement of each capital investment recorded in (c.) as if it were contributed (including only ad valorem tax, other taxes and fees). Cal Water shall record the revenue requirement by project and by district.
- f. A debit or credit entry equal to the amount of revenue requirement for PCE-related plant replacement or water treatment included in Cal Water's adopted revenue requirement. Cal Water shall record the revenue requirement by project and by district.

Interest

- g. A monthly debit or credit entry equal to the average balance in each segment of the account (as described in paragraphs a through f) 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.

(To be inserted by utility)
Advice Letter No. 1970
Decision No. _____

Issued by
THOMAS F. SMEGAL
NAME
Vice President
TITLE

(To be inserted by Cal. P.U.C.)
Date Filed _____
Effective _____
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