



**GAS PRELIMINARY STATEMENT PART AC**  
**CATASTROPHIC EVENT MEMORANDUM ACCOUNT**

Sheet 1

AC. CATASTROPHIC EVENT MEMORANDUM ACCOUNT (CEMA):

1. **PURPOSE:** The purpose of the CEMA is to recover the costs associated with the restoration of service and PG&E facilities affected by a catastrophic event declared a disaster or state of emergency by competent federal or state authorities. The balance in the CEMA will be recovered in rates after CPUC review and audit of the recorded CEMA balance. The authority to establish this account was granted in CPUC Resolution E-3238, dated July 24, 1991.

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

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

PG&E 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 Preliminary Statement, Part C and Rule 1.

2. **APPLICABILITY:** The CEMA balance will be recovered from all customer classes, except those specifically excluded by the CPUC.
3. **CEMA RATES:** The CEMA does not currently have a rate component.
4. **ACCOUNTING PROCEDURE:** Upon declaration of a disaster or state of emergency, PG&E 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. A debit entry equal to the amounts recorded in PG&E's Operations and Maintenance, and Administrative and General Expense Accounts that were incurred as a result of the disaster and related events.
  - 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 PG&E's Gas Department by the CPUC; plus

(Continued)



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Sheet 2

AC. CATASTROPHIC EVENT MEMORANDUM ACCOUNT (CEMA): (Cont'd.)

4. ACCOUNTING PROCEDURE: (Cont'd.)

b. (Cont'd.)

- (3) the return on the appropriate allowance for working capital using calculations last adopted by the CPUC for the Gas Department, and the return in AC.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 AC.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 AC.4.b.2 above.

c. A debit entry equal to federal and state taxes based on income associated with item AC.4.b 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 PG&E.

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 AC.4.a through AC.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, G.13, or its successor.

Entries in items AC.4.a and AC.4.b above, shall be made net of the appropriate insurance proceeds.

5. FINANCIAL REPORTING: PG&E 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.