

PRELIMINARY STATEMENT
(Continued)

11. INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES PROVISION
(Continued)

D. Applicability:

The ITCC shall apply to Contributions under Liberty's tariffs including but not limited to Rules 2, 13, 15, 16, 20 and 21, and Schedule SL/OL.

E. State Taxes:

California state tax imposed on Contributions, is collected in accordance with Ordering Paragraph 6 of Decision No. 87-09-026 and is included in that total tax liability factor shown in C.2.

F. Internal Revenue Service:

Liberty shall recover through rates any penalties, interest, or taxes incurred if the Internal Revenue Service deems the method of tax collection authorized by Decision No. 87-09-026 a violation of the tax normalization rules and imposes additional taxes, penalties, and interest.

G. Interest Rate:

When interest is payable under this part of the Preliminary Statement by the contributor to Liberty the interest rate shall be 1/12 of the most recent month's interest rate on Commercial paper (prime, 3 months), published by the Federal Reserve Statistical Release, H.15. Should publication of the interest rate on commercial paper (prime, 3 months) be discontinued, interest will so accrue at the rate of 1/12 of the most recent month's interest rate on commercial paper, which most closely approximates the rate that was discontinued and which is published in the Federal Reserve Statistical Release, H.15, or its successor publication.

12. SYMBOLS

When any change is proposed on a tariff sheet, attention shall be directed to such change by an appropriate character along the right-hand margin of the tariff sheet utilizing the following symbols:

- (C) To signify changed listing, rule or condition which may affect rates or charges.
- (D) To signify discontinued material including listing, rate, rule or condition.
- (I) To signify increase.

(Continued)

Advice Letter No. 28-E

Issued by
Michael R. Smart
Name

Date Filed July 15, 2013

Decision No. _____

President
Title

Effective July 15, 2013

Resolution No. _____

PRELIMINARY STATEMENT

(Continued)

12. SYMBOLS (Continued)

- (L) To signify material relocated from or to another part of tariff schedules with no change in text, rate, or rule or condition.
- (N) To signify new material including listing, rate, rule or condition.
- (R) To signify reduction.
- (T) To signify change in wording of text, but not change in rate, rule or condition.

13. MEMORANDUM ACCOUNTS

A. Catastrophic Event Memorandum Account (CEMA)

i. PURPOSE

The purpose of the Catastrophic Event Memorandum Account (CEMA) is to record all costs incurred by the Utility associated with a catastrophic event. The Utility will record the costs for the following in CEMA:

- 1. Restoring utility service to the Utility's Customers;
- 2. Repairing, replacing, or restoring damaged Utility facilities; and
- 3. Complying with governmental agency orders.

The authority to establish this account was granted in CPUC Resolution E-3238, dated July 24, 1991.

Per Ordering Paragraph 5 of D.19-07-015 the CEMA can be used to track associated costs for implementing customer protections for all disasters where the Customer of California or the President of the United States has declared a state of emergency. Each entries in the account shall be segregated by qualifying event.

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ii. PROCEDURE

- 1. A catastrophic event is defined as a disaster or state of emergency as declared by the appropriate federal or state authorities.
- 2. Should a catastrophic event occur, the Utility will inform the Commission by letter within 30 days after the event that the Utility has started accruing costs in the CEMA. The letter shall be mailed to the Director of the Commission Energy Division.

(Continued)

Advice Letter No. 124-E

Gregory S. Sorensen

Date Filed September 9, 2019

Decision No. _____

Name
President
Title

Effective October 9, 2019

Resolution No. _____