



PRELIMINARY STATEMENT

Sheet 1

III. MEMORANDUM ACCOUNTS
LITIGATION COST MEMORANDUM ACCOUNT (LCMA)

1. Purpose

Pursuant to Resolution E-3893, the purpose of the LCMA is to record the litigation costs associated with refunds resulting from the energy price crisis in October 2000 through January 2001. Recovery of litigation costs shall not exceed the proceeds provided for under the Claimants' Escrow accounts in the refund provisions.

2. Applicability

The LCMA shall apply to the utility's bundled service electric customers.

3. Rates

The LCMA does not have a rate component.

4. Accounting Procedure

The utility shall maintain the LCMA by making entries at the end of each month as follows:

- a. A debit entry equal to the litigation costs associated with refunds as directed by Resolution E-3893.
- b. A credit entry equal to the litigation expense "set aside" in the Claimants' Escrow accounts.
- c. An entry equal to the interest on the average balance in the account at the beginning of the month and the balance after entries 3.a through 3.b above at a rate equal to 1/12 of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.

5. Disposition

The LCMA shall be subject to review in the ERRA proceeding. Any remaining credit balance in the LCMA after the utility has fully recovered its incurred litigation costs and paid off any outstanding liabilities related to refunds should be credited to the ERRA. The utility shall make a separate filing to recover any litigation expenses that exceed the totals of the Claimants' Escrow.