

PRELIMINARY STATEMENTS

N. CATASTROPHIC EVENT MEMORANDUM ACCOUNT (CEMA)

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A Catastrophic Event is an event which is declared a disaster by competent state or federal authorities. The purpose of the CEMA is to record all costs incurred by the Company associated with a Catastrophic Event for:

- (1) restoring utility service to the utility customers;
- (2) repairing, replacing, or restoring damaged utility facilities, and
- (3) complying with governmental agency orders.

Entries to the CEMA shall be made at the end of each month commencing with the month in which the Catastrophic Event occurs. Interest shall accrue monthly by applying the Interest Rate to the average of the beginning and ending balances. The Interest Rate shall be 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3 months), published in the Federal Reserve Statistical Release, G.13. 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. G.13, or its successor publication.

If a Catastrophic Event occurs, the Company shall, if possible, inform the Executive Director by letter within 30 days after the Catastrophic Event, if the Company has started booking costs into the CEMA. Copies of the letter shall be mailed to the Director of the Commission Advisory & Compliance Division (CACD), and the Branch Chief of the CACD. The letter shall specify the Catastrophic Event, date, time, location, service areas affected, impact on the Company's facilities, and an estimate of the extraordinary costs expected to be incurred. Costs due to expense and capital items shall be shown separately.

Costs recorded in the CEMA may be recovered in rates only after a request by the Company, a showing of reasonableness, and approval by the Commission. Such a request may be made by a formal application specifically for that purpose, by inclusion in a subsequent general rate case, or other rate setting request