

Preliminary Statement  
(continued)

This tariff sheet is effective as of 9/25/14, but is subject to refund until approved by the California Public Utilities Commission.

AA1. Pension Cost Balancing Account 1 (PCBA1) (T)

1. Purpose:

The PCBA1 will track the difference between the adopted pension expense and the total actual cost incurred as expense in California-regulated operations. The adopted and tracked expenses include only the expensed portion of benefits and exclude pension costs assigned to capitalized overhead, capitalized projects, out-of-state affiliates, and unregulated entities. (T)

2. Applicability:

The PCBA1 is effective beginning January 1, 2011, through December 31, 2013, and applies to all ratemaking areas ("districts") and General Office in Application 09-07-001. This excludes out-of-state affiliates and unregulated operation expenses. (T)

3. Accounting Procedure:

The following entries will be recorded annually to the PCBA1: (T)

- a. Annual SFAS 87 expenses as determined by Cal Water's actuarial expert and as shown in Cal Water's books of account.
- b. The annual amount of pension expense authorized to be collected in rates.
- c. The difference between 3.a and 3.b.
- d. The sum of entries in item 3.c., all prior year entries in 3.c., and all accumulated interest calculated in 3.e.,

The following entries will be recorded monthly to the PCBA1: (T)

- e. Monthly interest expense calculated on the accumulated balance in 3.d. calculated at 1/12 of the most recent month's interest rate on Commercial Paper, published in the Federal Reserve Statistical Release H.15 or its successor. Note that interest only accrues on expenses after the the annual calculation has been completed.

4. Ratemaking Procedure:

The PCBA1 is recoverable in a Tier 2 advice letter filing if the accumulated balance exceeds 2% of gross adopted revenues for Cal Water in accordance with General Order 96-B and standard practices or by request in the next general rate case. In any filing, Cal Water shall demonstrate its continued compliance with SFAS 87 and demonstrate that any changes to its expenses were reasonable and prudently incurred. (T)

In any filing, Cal Water will identify any changes in pension accounting which were required by federal or state law or directed by the Financial Accounting Standards Board. Changes in assumptions reflecting current market, interest rate, or demographic conditions should not be considered "changes in accounting" as these are standard practices used to develop SFAS 87 requirements.

(To be inserted by utility)

Advice Letter No. 2139

Decision No. 14-08-011

Issued by

PAUL G TOWNSLEY

NAME

Vice President

TITLE

(To be inserted by Cal. P.U.C.)

Date Filed

Effective

Resolution No. -