

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.

AB2. Health Cost Balancing Account 2 (HCBA2)

(N)

1. PURPOSE:

The purpose of the Health Cost Balancing Account (HCBA2) is to track the difference between the adopted health care expenses (including post-retirement benefits other than pension or PBOB) and the total actual cost incurred as health care expenses. Eighty-five percent (85%) of the reasonable cost difference will be flowed through to ratepayers, and fifteen (15%) of the reasonable cost difference will be at the company's risk. The difference may be either positive or negative depending upon how actual health care expenses compare to those included in rates.

2. APPLICABILITY:

The HCBA2 is effective beginning January 1, 2014, through December 31, 2016, and applies to all ratemaking areas ("districts") and General Office. This excludes out-of-state affiliates and unregulated operations expenses.

3. ACCOUNTING PROCEDURE:

There is no rate component to the HCBA2. Cal Water shall record for future disposition the following entries:

- a. Eighty-five percent (85%) of the difference between the adopted health care expenses and the actual cost incurred as health care expenses will be included in the balancing account, as either a debit or a credit balance depending upon if the actual costs exceed or are less than the amounts adopted in rates;
- b. A monthly debit or credit entry equal to the average balance in each segment of the account multiplied by 1/12th of the most recent month's interest rate on Commercial Paper (prime, 90-day) published in the Federal Reserve Statistical Release H-15.

4. DISPOSITION:

The HCBA2 is recoverable or refundable in a Tier 2 advice letter filing if the accumulated balance exceeds 2% of gross adopted annual revenues for Cal Water in accordance with General Order 96-B and standard practices or by request in the next general rate case.

(N)

(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. -